



NEW APPLICATION
PORATION COMMISSION

HEARING

A-1
31EX



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2004 MAY 13 P 12 57

AZ CORP COMMISSION
DOCUMENT CONTROL

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MAY 13 2004

ARIZONA CORPORATION COMMISSION
HEARING DIVISION

FINANCING APPLICATION

Arizona Corporation Commission

DOCKETED

DEC 30 2004

DOCKETED BY	KV
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Keaton Development Company

UTILITY NAME

W-02169A-04-0363

AZ CORP COMMISSION
DOCUMENT CONTROL

2004 DEC 30 P 3:52

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You must complete all items in the application according to the instructions provided. If you have any questions regarding the application, call the Chief, Financial & Regulatory Analysis Section at (602) 542-0743 for assistance.

Send the original and sixteen copies of the application and cover sheet to the following address:

DOCKET CONTROL CENTER
1200 W WASHINGTON STREET
PHOENIX AZ 85007-2927



PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF Long Term Debt
BY Keaton Development Co., Inc.

Keaton Development Co. filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue \$40,000.00 of Long Term Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Salome, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA

COUNTY OF LA PAZ, ss

Alice Opie

Alice Opie

of said county, being duly sworn, deposes and says: that he/she is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and is competent to be a witness on the trial of the above entitled action, and that he/she is not a party to, nor interested in the above entitled matter.

That he/she is the Advertising Agent for the:

PARKER PIONEER

(published weekly) and which is a weekly newspaper of general circulation, published and circulated in the said County of La Paz, and is published for the dissemination of local news and intelligence of a general character, and has a bona fide subscription list of paying subscribers, and said newspaper has been established and published in the City of Parker, County of La Paz, State of Arizona, for at least one year before the publication of the first insertion of this notice and said newspaper is not devoted to the interests of, or published for the entertainment of any particular class, profession, trade, calling, race or denomination, or any number thereof.

That the:

APPLICATION FOR AN ORDER

Long Term Debt

Keaton Development Co., Inc.

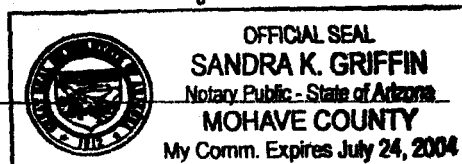
of which the annexed is a printed copy, was published in said newspaper at least 1 times, commencing on the 14th day of April, 2004, and ending on the 14th day of April, 2004, all above days inclusive, and in the regular and entire issue of said newspaper proper, and not in a supplement and said notice was published therein on the following dates, to-wit:

April 14, 2004

Subscribed and sworn to before me this 15th day of April, 2004.

Sandra K. Griffin
Notary Public in and for the County of La Paz, State of Arizona.

My Commission Expires:



**PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF Long Term Debt**

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PUBLISH: Aug. 14, 2004

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358775

CUSTOMER'S ORDER NO.					DATE 4/2/04		
NAME KEATON DEVELOPMENT							
ADDRESS							
CITY, STATE, ZIP							
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MDSE. RETD.	PAID OUT	
R							
QUAN.	DESCRIPTION				PRICE	AMOUNT	
1	CK # 1211					12.43	
2							
3	LEGAL NOTICE						
4							
5	Publish date:						
6	4-14-04						
7							
8							
9	PARKER PIONEER						
10	P.O. BOX 3365						
11	1001 12TH ST						
12	PARKER, AZ 85344					12.43	
RECEIVED BY Richard Harwood - OFF. Mgr.							

4705

KEEP THIS SLIP FOR REFERENCE

KEATON DEVELOPMENT COMPANY

BALANCE SHEET AT 12/31/03 & IMPACT OF \$40M LOAN

	ACTUAL 12/31/03	IMPACT OF LOAN	AFTER LOAN FUNDED
ASSETS			
CURRENT ASSETS			
CASH	\$5,628.88		\$5,628.88
ACCOUNTS RECEIVABLE	\$16,585.94		\$16,585.94
TOTAL CURRENT ASSETS	\$22,214.82		\$22,214.82
LONG TERM ASSETS			
FIXED ASSETS	\$515,175.50		\$515,175.50
ACCUMULATED	\$267,725.85		\$267,725.85
TOTAL FIXED ASSETS	\$247,449.65		\$247,449.65
DEPOSITS	\$4,210.86		\$4,210.86
ENGINEERING FEES TO BE PART OF FIXED ASSET CONST.	\$0.00	\$40,000.00	\$40,000.00
TOTAL LONG TERM ASSETS	\$251,660.51		\$291,660.51
TOTAL ASSETS	\$273,875.33		\$313,875.33
LIABILITIES			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE - CURRENT	\$9,466.64		\$9,466.64
ACCRUALS	\$6,450.07		\$6,450.07
CMLTD	\$2,340.00	\$2,115.30	\$4,455.30
TOTAL CURRENT LIABILITIES	\$18,256.71		\$20,372.01
LONG TERM LIABILITES			
ACCOUNTS PAYABLE - LT	\$128,822.12		\$128,822.12
LONG TERM DEBT	\$42,804.88	\$37,884.70	\$80,689.58
TOTAL LONG TERM DEBT	\$171,627.00		\$209,511.70
ADVANCE IN AID OF CONTSTRUCT	\$246,805.54		\$246,805.54
TOTAL LIABILITIES	\$436,689.25		\$476,689.25
NET WORTH	-\$162,813.92		-\$162,813.92
TOTAL LIABILITIES AND NET WORTH	\$273,875.33		\$313,875.33

Keaton Development Company
Balance Sheet
 As of December 31, 2003

	Dec 31, 03
ASSETS	
Current Assets	
Checking/Savings	
131 Cash Accounts	525.86
NBA-DIP-General	-389.74
NBA-DIP-Payroll	347.57
NBA-DIP-Taxes	5,542.52
NBA LaPaz Taxes	336.69
Petty Cash	
Total 131 Cash Accounts	6,362.90
Total Checking/Savings	6,362.90
Accounts Receivable	
141 Customer Accounts Receivable	16,585.94
Total Accounts Receivable	16,585.94
Other Current Assets	
Undeposited Funds	-734.02
Total Other Current Assets	-734.02
Total Current Assets	22,214.82
Fixed Assets	
101 Utility Plant in Service	1,250.00
301 Organization	8,200.00
303 Land	
304 Structures and Improvements	965.00
Utility plant not KRC	
304 Structures and Improvements - Other	13,061.88
Total 304 Structures and Improvements	14,026.88
307 Wells & Springs	55,911.00
311 Pumping Equipment	6,459.42
krc/booster pump	72,562.00
311 Pumping Equipment - Other	
Total 311 Pumping Equipment	79,021.42
330 Distributed Res/Standpipes	28,558.00
330.1 Storage tanks	16,544.00
330.2 Pressure tanks	
Total 330 Distributed Res/Standpipes	45,102.00
331 Contributed Mains	614.00
Transmission/distribution	
Utility Plant - KRC	210,000.00

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04/28/04

Accrual Basis

Keaton Development Company
Balance Sheet
 As of December 31, 2003

Dec 31, 03

Total 331 Contributed Mains	210,614.00
333 Services	57,073.00
334 Meters & Pressure Pumps	6,032.76
335 Hydrants	26,856.00
340 Office Equipment	2,884.44
341 Transportation Equipment	6,900.00
343 Tools Shop/Garage Equipment	1,304.00
Total 101 Utility Plant in Service	515,175.50
108 Accum. Deprec-Utill. Plant	
301 Organ 25 yrs/4.0	-1,250.00
304 Structures-30yrs/3.33	-1,682.09
307 Wells/springs-30 yrs/3.33	-30,417.95
311 Pumping-8 yrs/12.5	-61,448.68
330 Distributed Res	
330.1 Storage tns-45 yrs/2.22	-8,572.47
330.2 Pressure tns-20 yrs/5.0	-15,484.20
Total 330 Distributed Res	-24,056.67
331 Trans/distr-50 yrs/2.0	-117,237.28
333 services - 30yrs/3.33	-17,873.53
334 meters -12 yrs/8.33	-4,785.53
335 Hydrants - 50 yrs/2.0	-4,032.12
340 office equ- 5 yrs/20.0	-2,258.00
341 Trans Equip - 5 yrs/20	-1,380.00
343 Tools - 20 yrs/5.0	-1,304.00
Total 108 Accum. Deprec-Utill. Plant	-267,725.85
Total Fixed Assets	247,449.65
Other Assets	
132 Special Deposits	4,210.86
WIFA - Reserve Deposit Account	4,210.86
Total 132 Special Deposits	4,210.86
Total Other Assets	4,210.86
TOTAL ASSETS	273,875.33
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	138,288.76
231 Accounts Payable	138,288.76
Total Accounts Payable	138,288.76

Keaton Development Company
Balance Sheet
As of December 31, 2003

	Dec 31, 03
Other Current Liabilities	
241 Other Current Liabilities	
Payroll Liabilities	
Federal Withholding	437.88
FICA	
Company	298.46
Employee	298.56
Total FICA	
	597.02
FUTA	
Medicare	184.33
Company	
Employee	69.82
	69.82
Total Medicare	
	139.64
State Withholding	
SUI	121.75
	21.67
Total Payroll Liabilities	1,502.29
Sales Tax Adj	
Sales Tax Payable	6.30
Short Term Loan	941.48
	4,000.00
Total 241 Other Current Liabilities	6,450.07
Total Other Current Liabilities	6,450.07
Total Current Liabilities	144,738.83
Long Term Liabilities	
234 Long Term Debt	
Note Payable-WIFA	42,804.88
Total 234 Long Term Debt	42,804.88
252 Advance in Aid of Const.	
KRC Line Extension	221,732.04
Meter Fees	25,073.50
Total 252 Advance in Aid of Const.	246,805.54
Total Long Term Liabilities	289,610.42
Total Liabilities	434,349.25
Equity	
201 Common Stock	50,000.00
211 Paid in Capital	
WSS	4,100.00
211 Paid in Capital - Other	19,764.14

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04/28/04

Accrual Basis

Keaton Development Company
Balance Sheet
As of December 31, 2003

	Dec 31, 03
Total 211 Paid in Capital	23,864.14
215 Retained Earnings	-217,996.88
Net Income	-16,341.18
Total Equity	-160,473.92
TOTAL LIABILITIES & EQUITY	273,875.33

KEATON DEVELOPMENT COMPANY

ASSUMPTIONS TO PROJECTIONS

FINANCIAL PROJECTION - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

Income:

Based on the last 12 months of actual results plus a 7% increase in income per year. The increase is based on an increase of 28 hook ups per year at the average price of \$31.20 per hook up. This increase appears to be conservative based on the fact that there are three developments in the area (Indian Hill Airport, Desert Palms Resort and KRC Development) that will provide 382 hook-ups. These three projects alone, using an absorption period of 15 years, will provide 25 new-hook ups per year over the period.

Bad Debts:

Based on historical amounts.

Contracted Testing, Rent - Auto & Equipment, Meter Reading, Contracted Maintenance, Utilities - Electric, Utilities - Water, Chemicals, Materials & Supplies, Office & Supplies Annual Sampling Fee, Transportation, Regulatory Commission, Miscellaneous, other Taxes and Depreciation Expenses

Each of these expense categories are based on a percentage of income from the last 12 months of operations. It is felt that this is the best method for projecting the costs as each should be impacted directly by any increases in income, in proportion to the amount of the change.

Legal Professional:

In 2004, the company will pay the remaining \$16,000 owed to the bankruptcy attorney plus \$3,000 for accounting and miscellaneous legal fees. Going forward, the company feels comfortable that it will be able to keep these fees at \$3,000.

Payroll Expense:

Based on \$2,000.00 per month for the system's maintenance man, \$1,592.50 for the office manager and \$281.17 for a part-time office support person. These payments are anticipated to remain level for 2004 and 2005 with 3% increases for each of the following years.

Officer's Salary:

Based on the current salary under the bankruptcy plan of \$1,500 per month with a \$2,000 increase per year over the term of the projections.

Payroll Expense:

Based on the last twelve months results with a 3% increase in each year of the projections. Rent -

Office:

Based on a current lease of \$325.00 per month for 2004 and 2005. In 2006, the company expects to move to a larger facility and is planning for the rent to increase to \$416.67 per month or \$5,000 per year.

KEATON DEVELOPMENT COMPANY

FINANCIAL PROJECTIONS - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

PAGE TWO OF TWO

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
INCOME BEFORE PRINCIPAL, INTEREST							
BK PLAN PAYMENTS	\$13,307.59	\$2,077.88	\$2,372.80	\$4,048.06	\$6,024.74	\$8,325.48	\$10,974.53
		-8.14%	1.19%	1.27%	2.02%	2.81%	3.63%
DEPRECIATION	\$25,251.06	\$27,018.64	\$28,909.94	\$30,933.64	\$33,098.99	\$35,415.92	\$37,895.04
CASH TO MEET DEBT SERVICE							
AND BK PLAN PMTS	\$11,943.47	\$29,096.52	\$31,282.74	\$34,981.70	\$39,123.73	\$43,741.40	\$48,869.57
DEBT AND BK PAYMENTS							
TRUSTEE FEE	\$2,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WIFA EXISTING							
LOAN PAYMENT	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56
PLACEMENT RESERVE FUND	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00
DEBT RESERVE FUND	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00
TOTAL WIFA EXISTING	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56
NEW WIFA	\$1,926.21	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08
LA PAZ COUNTY	\$0.00	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83
UNSECURED	\$0.00	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33
TOTAL DEBT AND BK PMTS	\$7,727.56	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72
CASH AFTER DEBT AND							
BK PAYMENTS	\$4,215.91	\$5,465.80	\$7,652.02	\$11,350.98	\$15,493.01	\$20,110.88	\$25,238.85

FINANCIAL PROJECTIONS - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

PAGE ONE OF TWO

TOTAL EXPENSES

KEATON DEVELOPMENT COMPANY

ASSUMPTIONS TO PROJECTIONS

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KEATON DEVELOPMENT *Company*

PAGE ONE OF ONE

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPT.	OCTOBER	NOV.	DECEMBER	12 MONTH TOTAL
TOTAL INCOME	\$11,816.36	\$11,886.18	\$11,842.96	\$12,176.10	\$11,408.72	\$15,950.66	\$14,326.84	\$14,499.09	\$12,263.40	\$11,896.61	\$12,736.83	\$10,724.33	\$161,626.98 100.00%
EXPENSES													
LEGAL FEES	\$0.00	\$343.54	\$509.57	\$15,638.80	\$346.21	\$309.16	\$166.34	\$58.10	\$71.11	\$0.00	\$110.00	\$0.00	\$17,562.83 11.58%
CONTRACTED - PROFESSIONALS	\$0.00	\$0.00	\$675.00	\$88.00	\$365.00	\$2,200.00	\$218.45	\$0.00	\$0.00	\$0.00	\$0.00	\$1,615.00	\$5,178.46 3.42%
CONTRACTED TESTING	\$824.00	\$250.00	\$196.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,289.00 0.84%
RENT - AUTO & EQUIPMENT	\$0.00	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$369.87	\$0.00	\$0.00	\$2,698.31	\$3,378.18 2.23%
METER READING	\$220.17	\$135.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$365.17 0.23%
CONTRACTED MAINTENANCE	\$497.01	\$95.00	\$0.00	\$0.00	\$80.00	\$405.00	\$220.00	\$195.00	\$377.50	\$932.50	\$695.00	\$0.00	\$3,568.01 2.37%
PAYROLL EXPENSE	\$1,666.67	\$2,547.96	\$2,428.07	\$3,694.44	\$2,569.63	\$1,747.61	\$2,434.84	\$1,650.07	\$2,260.58	\$1,126.07	\$1,126.07	\$1,475.27	\$25,564.48 16.88%
OFFICE SALARY	\$208.77	\$0.00	\$0.00	\$0.00	\$259.60	\$2,000.00	\$2,000.00	\$2,750.00	\$1,000.00	\$3,750.00	\$0.00	\$1,666.67	\$16,875.44 11.14%
UTILITIES - ELECTRIC	\$250.00	\$813.60	\$794.51	\$1,648.79	\$1,008.83	\$78.21	\$2,333.61	\$945.19	\$1,006.82	\$816.05	\$0.00	\$940.89	\$10,026.30 6.62%
UTILITIES - WATER	\$1,301.63	\$8.80	\$8.80	\$8.80	\$10.34	\$8.80	\$0.00	\$0.00	\$26.40	\$6.80	\$8.80	\$9.97	\$1,400.14 0.92%
CHEMICALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$156.92	\$0.00	\$295.00	\$0.00	\$451.92 0.30%
MATERIALS & SUPPLIES	\$908.00	\$250.00	\$52.52	\$469.00	\$1,127.55	\$989.16	\$756.17	\$309.87	\$440.60	\$270.74	\$977.71	\$1,366.16	\$7,907.47 5.22%
OFFICE & SUPPLIES EXPENSE	\$450.00	\$339.07	\$748.61	\$827.72	\$738.00	\$107.03	\$1,143.98	\$1,813.25	\$214.72	\$1,340.39	\$673.69	\$1,153.28	\$9,489.74 6.28%
ANNUAL SAMPLING FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,088.35	\$0.00	\$0.00	\$1,088.35 0.72%
RENT OFFICE & YARD	\$266.07	\$831.76	\$325.00	\$650.00	\$0.00	\$0.00	\$325.00	\$325.00	\$325.00	\$325.00	\$325.00	\$325.00	\$4,021.85 2.65%
TRANSPORTATION EXPENSE	\$0.00	\$0.00	\$103.00	\$0.00	\$171.00	\$52.25	\$192.38	\$750.79	\$288.59	\$202.49	\$274.38	\$20.00	\$2,054.86 1.36%
INSURANCE EXPENSE	\$0.00	\$0.00	\$0.00	\$299.00	\$0.00	\$1,135.00	\$5,000.00	\$674.45	\$0.00	\$0.00	\$1,207.29	\$0.00	\$8,315.74 5.49%
REGULATORY COMMISSION EXP.	\$739.32	\$0.00	\$0.00	\$235.00	\$0.00	\$540.00	\$230.00	\$195.00	\$195.00	\$240.00	\$195.00	\$0.00	\$2,569.32 1.70%
MISCELLANEOUS EXPENSE	\$0.00	\$87.70	\$0.00	\$3,145.00	\$600.53	\$19.21	\$364.90	\$97.56	\$314.35	\$540.30	\$45.37	\$65.00	\$5,269.92 3.48%
PAYROLL, PROPERTY & SALES TAXES	\$214.69	\$93.16	\$203.33	\$305.39	\$571.26	\$574.07	\$333.37	\$347.56	\$9,091.99	\$474.55	\$76.72	\$1,654.50	\$13,940.56 9.20%
INTEREST EXPENSE	\$0.00	\$718.36	\$548.34	\$622.65	\$666.52	\$523.88	\$0.00	\$151.98	\$151.98	\$151.98	\$152.38	\$151.98	\$3,840.04 2.63%
DEPRECIATION EXPENSE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$23,596.85	\$23,596.85 15.57%
TOTAL EXPENSES	\$7,046.33	\$6,913.94	\$6,581.76	\$27,529.69	\$11,754.87	\$10,689.27	\$15,719.04	\$10,477.13	\$16,080.72	\$12,401.73	\$6,013.41	\$36,547.88	\$167,754.66 110.71%
OPERATING INCOME	\$4,771.03	\$4,972.24	\$5,261.21	\$-15,353.49	\$-346.15	\$5,261.39	\$-1,392.20	\$4,021.96	\$-3,817.32	\$-506.22	\$6,722.42	\$-25,823.55	\$-16,228.68 -10.71%

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

Jan 03

Feb 03

Ordinary Income/Expense

Income

400 Operating Revenues

461.1 Water - Residential Cust.

474 Other Water Revenues

Construction

Late Fees

SEC Charges

Total 474 Other Water Revenues

Total 400 Operating Revenues

Uncategorized Income

Total Income

Gross Profit

Expense

401 Operating Expenses

1099 - 631 Legal Fees

1099 accounts

631 Contractual - Professional

Accounting

Consulting

Engineering

Total 631 Contractual - Professional

635 Contract - Testing

Contractual - Testing

Total 635 Contract - Testing

636 Contractual - Other

Auto - Rent

Equipment Rental

kr/electrical

Meter Reading

Operation and Maintenance

Outside Labor

636 Contractual - Other - Other

Total 636 Contractual - Other

Total 1099 accounts

601 Payroll Expenses

Advance

Benefits

Bonuses

	Jan 03	Feb 03
400 Operating Revenues	11,581.50	11,699.91
461.1 Water - Residential Cust.	0.00	0.00
474 Other Water Revenues	84.86	36.27
Construction	150.00	150.00
Late Fees		
SEC Charges		
Total 474 Other Water Revenues	234.86	186.27
Total 400 Operating Revenues	11,816.36	11,886.18
Uncategorized Income	0.00	0.00
Total Income	11,816.36	11,886.18
Gross Profit	11,816.36	11,886.18
Expense		
401 Operating Expenses	22.54	343.54
1099 - 631 Legal Fees		
1099 accounts		
631 Contractual - Professional	800.00	0.00
Accounting	0.00	0.00
Consulting	0.00	0.00
Engineering	0.00	0.00
Total 631 Contractual - Professional	800.00	0.00
635 Contract - Testing	0.00	250.00
Contractual - Testing	0.00	250.00
Total 635 Contract - Testing	0.00	250.00
636 Contractual - Other	0.00	400.00
Auto - Rent	0.00	0.00
Equipment Rental	0.00	0.00
kr/electrical	0.00	0.00
Meter Reading	220.17	135.00
Operation and Maintenance	0.00	95.00
Outside Labor	0.00	0.00
636 Contractual - Other - Other	0.00	0.00
Total 636 Contractual - Other	220.17	630.00
Total 1099 accounts	1,020.17	880.00
601 Payroll Expenses		
Advance	0.00	1,333.01
Benefits	166.44	166.44
Bonuses	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03	Feb 03
Gross Wages	1,291.50	1,041.75
601 Payroll Expenses - Other	10.13	6.75
Total 601 Payroll Expenses	1,468.07	2,547.95
603 Officer Salary	1,666.67	0.00
615 Utilities		
Electric	739.32	813.60
water	0.00	8.80
Total 615 Utilities	739.32	822.40
618 Chemicals	0.00	0.00
620 Materials & Supplies		
Booster Pump Repair	0.00	0.00
Building Repairs	0.00	0.00
Equipment Repairs	-250.00	250.00
Freight & Delivery	0.00	0.00
Job Materials	0.00	0.00
krc expense	0.00	0.00
meter Repairs	0.00	0.00
Safety Equipment	0.00	0.00
Supplies for the Wells	0.00	0.00
Tools and Machinery	0.00	0.00
Total 620 Materials & Supplies	-250.00	250.00
621 Office Supplies & Expense		
Administration	0.00	0.00
Bank Service Charges		
Deposit Correction Fee	0.00	0.00
New Checks	0.00	0.00
NSF fee	0.00	0.00
Return Item Fee	0.00	0.00
Returned Customer Check	43.29	41.97
Bank Service Charges - Other	0.00	0.00
Total Bank Service Charges	43.29	41.97
Cleaning Supplies	0.00	0.00
Communications		
Cell Phone (Trk)	0.00	0.00
Internet Service	0.00	20.95
Local Service (TDS)	214.69	204.54
Long Distance(MCI)	0.00	0.00
Telephone-Equip & Installation	0.00	0.00
Total Communications	214.69	225.49
Computer		
Equipment	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03	Feb 03
Total Computer	0.00	0.00
Contributions	0.00	0.00
Copier	0.00	0.00
FAX Expense		
Outside FAX Charges	0.00	0.00
FAX Expense - Other	0.00	68.78
Total FAX Expense	0.00	68.78
Office Supplies & Equipment	198.61	2.00
Postage and Delivery	298.40	0.83
Printing and Reproduction	0.00	0.00
Total 621 Office Supplies & Expense	754.99	339.07
635 Annual Sampling Fee	0.00	0.00
640 Rent		
640 Rent/Tipton	588.00	325.00
Office/Shop	0.00	506.78
Total 640 Rent	588.00	831.78
650 Transportation Expense		
Fuel	0.00	0.00
fuel/chap 11	0.00	0.00
Truck Servicing	0.00	0.00
Total 650 Transportation Expense	0.00	0.00
655 Insurance		
Automobile Insurance	0.00	0.00
Liability Insurance	0.00	0.00
Work Comp	0.00	0.00
Total 655 Insurance	0.00	0.00
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	0.00
Water Treatment Oper. License	0.00	0.00
Total 665 Regulatory Commission Exp	0.00	0.00
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	0.00
Dues and Subscriptions	0.00	87.70
Licenses and Permits	0.00	0.00
Recording fees	0.00	0.00
Travel & Ent		
Lodging	0.00	0.00
Meals	0.00	0.00
meals/chap 11	0.00	0.00
Travel	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03	Feb 03
Total Travel & Ent	0.00	0.00
Total 675 Miscellaneous	0.00	87.70
Total 401 Operating Expenses	6,009.76	6,102.44
403 Depreciation Expense	0.00	0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	184.03	65.01
FUTA	23.74	8.39
Medicare	43.04	15.21
Penalties & Interest	0.00	0.00
SUI	20.73	4.54
Total Payroll Taxes	271.54	93.15
Property		
Penalty & Interest	0.00	0.00
Property - Other	0.00	0.00
Total Property	0.00	0.00
Sales Tax		
Accounting Credit	-6.47	0.00
Penalties & Interest	0.00	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	-6.47	0.00
Total 408 Taxes other than Income	265.07	93.15
427 Interest Expense		
Finance Charge	436.75	531.37
Late Fee	0.00	35.00
Penalties & Interest	0.00	0.00
WIFA - Fee Payments	105.02	78.48
WIFA - Interest Expense	112.13	73.50
Total 427 Interest Expense	653.90	718.35
Uncategorized Expenses	0.00	0.00
Total Expense	6,928.73	6,913.94
Net Ordinary Income	4,887.63	4,972.24
Other Income/Expense		
Other Income	0.00	0.00
419 Interest Income	0.00	0.00
Total Other Income	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	Jan 03	Feb 03
Other Expense		
426 Other Expenses	0.00	0.00
Total Other Expense	0.00	0.00
Net Other Income	0.00	0.00
Net Income	4,887.63	4,972.24

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

	Mar 03	Apr 03
Ordinary Income/Expense		
Income		
400 Operating Revenues	11,563.96	11,779.73
461.1 Water - Residential Cust.		
474 Other Water Revenues	0.00	0.00
Construction	69.00	36.37
Late Fees	210.00	360.00
SEC Charges		
Total 474 Other Water Revenues	279.00	396.37
Total 400 Operating Revenues	11,842.96	12,176.10
Uncategorized Income	0.00	0.00
Total Income	11,842.96	12,176.10
Gross Profit	11,842.96	12,176.10
Expense		
401 Operating Expenses	509.57	15,638.80
1099 - 631 Legal Fees		
1099 accounts		
631 Contractual - Professional		
Accounting	0.00	0.00
Consulting	0.00	0.00
Engineering	675.00	85.00
Total 631 Contractual - Professional	675.00	85.00
635 Contract - Testing		
Contractual - Testing	195.00	0.00
Total 635 Contract - Testing	195.00	0.00
636 Contractual - Other		
Auto - Rent	0.00	0.00
Equipment Rental	0.00	0.00
krc/electrical	0.00	0.00
Meter Reading	0.00	0.00
Operation and Maintenance	0.00	0.00
Outside Labor	0.00	0.00
636 Contractual - Other - Other	0.00	0.00
Total 636 Contractual - Other	0.00	0.00
Total 1099 accounts	870.00	85.00
601 Payroll Expenses		
Advance	0.00	0.00
Benefits	166.44	166.44
Bonuses	0.00	0.00

Keaton Development Company

Profit & Loss

January through December 2003

	Mar 03	Apr 03
Gross Wages	2,244.75	3,417.75
601 Payroll Expenses - Other	16.88	20.25
Total 601 Payroll Expenses	2,428.07	3,604.44
603 Officer Salary	0.00	0.00
615 Utilities		
Electric	784.51	1,648.79
water	8.80	8.80
Total 615 Utilities	793.31	1,657.59
618 Chemicals	0.00	0.00
620 Materials & Supplies		
Booster Pump Repair	0.00	240.00
Building Repairs	32.16	0.00
Equipment Repairs	0.00	0.00
Freight & Delivery	0.00	0.00
Job Materials	20.36	0.00
krc expense	0.00	0.00
meter Repairs	0.00	0.00
Safety Equipment	0.00	4.00
Supplies for the Wells	0.00	215.00
Tools and Machinery	0.00	0.00
Total 620 Materials & Supplies	52.52	459.00
621 Office Supplies & Expense		
Administration	85.00	0.00
Bank Service Charges	0.00	0.00
Deposit Correction Fee	0.00	119.83
New Checks	0.00	0.00
NSF fee	0.00	3.25
Return Item Fee	0.00	0.00
Returned Customer Check	40.47	8.23
Bank Service Charges - Other	0.00	
Total Bank Service Charges	40.47	131.31
Cleaning Supplies	15.94	0.00
Communications		
Cell Phone (Trk)	0.00	0.00
Internet Service	9.95	0.00
Local Service (TDS)	172.45	280.63
Long Distance(MCI)	0.00	0.00
Telephone-Equip & Installation	51.55	0.00
Total Communications	233.95	280.63
Computer		
Equipment	0.00	0.00

Keaton Development Company
Profit & Loss
 January through December 2003

	Mar 03	Apr 03
Total Computer	0.00	0.00
Contributions	34.00	0.00
Copier	0.00	0.00
FAX Expense	0.00	0.00
Outside FAX Charges	119.48	48.61
FAX Expense - Other		
Total FAX Expense	119.48	48.61
Office Supplies & Equipment	21.80	0.00
Postage and Delivery	148.00	339.91
Printing and Reproduction	49.97	27.26
Total 621 Office Supplies & Expense	748.61	827.72
635 Annual Sampling Fee	0.00	0.00
640 Rent	325.00	650.00
640 Rent/Tipton	0.00	0.00
Office/Shop		
Total 640 Rent	325.00	650.00
650 Transportation Expense		
Fuel	103.00	0.00
fuel/chap 11	0.00	0.00
Truck Servicing	0.00	0.00
Total 650 Transportation Expense	103.00	0.00
655 Insurance		
Automobile Insurance	0.00	0.00
Liability Insurance	0.00	0.00
Work Comp	0.00	299.00
Total 655 Insurance	0.00	299.00
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	0.00
Water Treatment Oper.License	0.00	235.00
Total 665 Regulatory Commission Exp	0.00	235.00
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	0.00
Dues and Subscriptions	0.00	3,145.00
Licenses and Permits	0.00	0.00
Recording fees	0.00	0.00
Travel & Ent		
Lodging	0.00	0.00
Meals	0.00	0.00
meals/chap 11	0.00	0.00
Travel	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Mar 03	Apr 03
Total Travel & Ent	0.00	0.00
Total 675 Miscellaneous	0.00	3,145.00
Total 401 Operating Expenses	5,830.08	26,601.55
403 Depreciation Expense	0.00	0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	140.22	213.16
FUTA	18.09	27.51
Medicare	32.79	49.85
Penalties & Interest	0.00	0.00
SUI	12.22	14.87
Total Payroll Taxes	203.32	305.39
Property		
Penalty & Interest	0.00	0.00
Property - Other	0.00	0.00
Total Property	0.00	0.00
Sales Tax		
Accounting Credit	0.01	0.00
Penalties & Interest	0.00	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	0.01	0.00
Total 408 Taxes other than Income	203.33	305.39
427 Interest Expense		
Finance Charge	396.36	435.67
Late Fee	0.00	35.00
Penalties & Interest	0.00	0.00
WIFA - Fee Payments	78.48	78.48
WIFA - Interest Expense	73.50	73.50
Total 427 Interest Expense	548.34	622.65
Uncategorized Expenses	0.00	0.00
Total Expense	6,581.75	27,529.59
Net Ordinary Income	5,261.21	-15,353.49
Other Income/Expense		
Other Income		
419 Interest Income	0.06	0.00
Total Other Income	0.06	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

	Mar 03	Apr 03
Other Expense		
426 Other Expenses	0.00	0.00
Total Other Expense	0.00	0.00
Net Other Income	0.06	0.00
Net Income	5,261.27	-15,353.49

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

May 03

Jun 03

Ordinary Income/Expense

Income		May 03	Jun 03
400 Operating Revenues		11,197.17	15,715.55
461.1 Water - Residential Cust.			
474 Other Water Revenues		10.00	0.00
Construction		51.55	85.11
Late Fees		150.00	150.00
SEC Charges			
Total 474 Other Water Revenues		211.55	235.11
Total 400 Operating Revenues		11,408.72	15,950.66
Uncategorized Income		0.00	0.00
Total Income		11,408.72	15,950.66
Gross Profit		11,408.72	15,950.66
Expense			
401 Operating Expenses			
1099 - 631 Legal Fees		346.21	309.16
1099 accounts			
631 Contractual - Professional			
Accounting		385.00	0.00
Consulting		0.00	2,200.00
Engineering		0.00	0.00
Total 631 Contractual - Professional		385.00	2,200.00
635 Contract - Testing			
Contractual - Testing		0.00	0.00
Total 635 Contract - Testing		0.00	0.00
636 Contractual - Other			
Auto - Rent		0.00	0.00
Equipment Rental		0.00	0.00
kr/electrical		0.00	110.00
Meter Reading		0.00	0.00
Operation and Maintenance		0.00	295.00
Outside Labor		0.00	0.00
636 Contractual - Other - Other		60.00	0.00
Total 636 Contractual - Other		60.00	405.00
Total 1099 accounts		445.00	2,605.00
601 Payroll Expenses			
Advance		0.00	0.00
Benefits		166.44	166.44
Bonuses		0.00	0.00

Keaton Development Company
Profit & Loss
 January through December 2003

	May 03	Jun 03
Gross Wages	2,384.63	1,569.26
601 Payroll Expenses - Other	18.56	11.81
Total 601 Payroll Expenses	2,569.63	1,747.51
603 Officer Salary	3,500.00	2,000.00
615 Utilities		
Electric	1,008.83	78.21
water	10.34	8.80
Total 615 Utilities	1,019.17	87.01
618 Chemicals	0.00	0.00
620 Materials & Supplies		
Booster Pump Repair	0.00	0.00
Building Repairs	0.00	840.50
Equipment Repairs	453.51	0.00
Freight & Delivery	470.00	0.00
Job Materials	42.19	3.65
krc expense	0.00	0.00
Meter Repairs	12.41	10.00
Safety Equipment	99.44	0.00
Supplies for the Wells	0.00	135.00
Tools and Machinery	50.00	0.00
Total 620 Materials & Supplies	1,127.55	989.15
621 Office Supplies & Expense		
Administration	0.00	87.75
Bank Service Charges		
Deposit Correction Fee	0.00	0.00
New Checks	0.00	0.00
NSF fee	0.00	0.00
Return Item Fee	0.00	0.00
Returned Customer Check	0.00	0.00
Bank Service Charges - Other	8.72	9.17
Total Bank Service Charges	8.72	9.17
Cleaning Supplies	18.54	0.00
Communications		
Cell Phone (Trk)	99.54	134.63
Internet Service	0.00	0.00
Local Service (TDS)	301.22	92.45
Long Distance(MCI)	1.54	10.99
Telephone-Equip & Installation	0.00	0.00
Total Communications	402.30	238.07
Computer		
Equipment	78.89	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	May 03	Jun 03
Total Computer	78.89	0.00
Contributions	5.00	0.00
Copier	0.00	0.00
FAX Expense	0.00	0.00
Outside FAX Charges	0.00	0.00
FAX Expense - Other	52.53	40.32
Total FAX Expense	52.53	40.32
Office Supplies & Equipment	15.43	-334.73
Postage and Delivery	148.00	58.55
Printing and Reproduction	8.59	7.90
Total 621 Office Supplies & Expense	738.00	107.03
635 Annual Sampling Fee	0.00	0.00
640 Rent	0.00	0.00
640 Rent/Tipton	0.00	0.00
Office/Shop	0.00	0.00
Total 640 Rent	0.00	0.00
650 Transportation Expense		
Fuel	107.00	52.25
fuel/chap 11	0.00	0.00
Truck Servicing	64.00	0.00
Total 650 Transportation Expense	171.00	52.25
655 Insurance		
Automobile Insurance	0.00	477.00
Liability Insurance	0.00	0.00
Work Comp	0.00	658.00
Total 655 Insurance	0.00	1,135.00
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	0.00
Water Treatment Oper License	0.00	540.00
Total 665 Regulatory Commission Exp	0.00	540.00
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	0.00
Dues and Subscriptions	0.00	0.00
Licenses and Permits	0.00	0.00
Recording fees	0.00	0.00
Travel & Ent		
Lodging	67.24	0.00
Meals	42.63	19.21
meals/chap 11	0.00	0.00
Travel	490.66	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	May 03	Jun 03
Total Travel & Ent	600.53	19.21
Total 675 Miscellaneous	600.53	19.21
Total 401 Operating Expenses	10,517.09	9,591.32
403 Depreciation Expense	0.00	0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	365.99	222.03
FUTA	47.22	15.45
Medicare	85.60	51.92
Penalties & Interest	0.00	274.24
SUI	31.87	10.43
Total Payroll Taxes	530.68	574.07
Property		
Penalty & Interest	0.00	0.00
Property - Other	0.00	0.00
Total Property	0.00	0.00
Sales Tax		
Accounting Credit	0.00	0.00
Penalties & Interest	40.58	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	40.58	0.00
Total 408 Taxes other than Income	571.26	574.07
427 Interest Expense		
Finance Charge	479.54	453.88
Late Fee	35.00	35.00
Penalties & Interest	0.00	35.00
WIFA - Fee Payments	78.48	0.00
WIFA - Interest Expense	73.50	0.00
Total 427 Interest Expense	666.52	523.88
Uncategorized Expenses	0.00	0.00
Total Expense	11,754.87	10,689.27
Net Ordinary Income	-346.15	5,261.39
Other Income/Expense		
Other Income	0.00	0.49
419 Interest Income	0.00	0.49
Total Other Income	0.00	0.49

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	May 03	Jun 03
Other Expense		
426 Other Expenses	0.00	0.00
Total Other Expense	0.00	0.00
Net Other Income	0.00	0.49
Net Income	-346.15	5,261.88

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

Jul 03

Aug 03

Ordinary Income/Expense

Income

400 Operating Revenues

461.1 Water - Residential Cust.

474 Other Water Revenues

Construction

Late Fees

SEC Charges

Total 474 Other Water Revenues

Total 400 Operating Revenues

Uncategorized Income

Total Income

Gross Profit

Expense

401 Operating Expenses

1099 - 631 Legal Fees

1099 accounts

631 Contractual - Professional

Accounting

Consulting

Engineering

Total 631 Contractual - Professional

635 Contract - Testing

Contractual - Testing

Total 635 Contract - Testing

636 Contractual - Other

Auto - Rent

Equipment Rental

krc/electrical

Meter Reading

Operation and Maintenance

Outside Labor

636 Contractual - Other - Other

Total 636 Contractual - Other

Total 1099 accounts

601 Payroll Expenses

Advance

Benefits

Bonuses

	13,892.54	14,258.55
	263.25	34.33
	81.05	86.21
	90.00	120.00
	434.30	240.54
	14,326.84	14,499.09
	0.00	0.00
	14,326.84	14,499.09
	14,326.84	14,499.09
	166.34	58.10
	160.00	0.00
	0.00	0.00
	58.45	0.00
	218.45	0.00
	0.00	0.00
	0.00	0.00
	0.00	0.00
	110.00	0.00
	0.00	0.00
	110.00	95.00
	0.00	100.00
	0.00	0.00
	220.00	195.00
	438.45	195.00
	0.00	0.00
	166.44	166.44
	0.00	0.00

Keaton Development Company
Profit & Loss
 January through December 2003

	Jul 03	Aug 03
Gross Wages	1,806.39	1,592.88
601 Payroll Expenses - Other	462.01	114.06
Total 601 Payroll Expenses	2,434.84	1,873.38
603 Officer Salary	2,000.00	2,750.00
615 Utilities		
Electric	2,333.61	945.19
water	0.00	0.00
Total 615 Utilities	2,333.61	945.19
618 Chemicals	0.00	0.00
620 Materials & Supplies		
Booster Pump Repair	0.00	3.80
Building Repairs	0.00	54.74
Equipment Repairs	407.00	69.40
Freight & Delivery	0.00	6.63
Job Materials	49.49	126.30
krc expense	0.00	0.00
Meter Repairs	0.00	0.00
Safety Equipment	9.68	32.33
Supplies for the Wells	290.00	0.00
Tools and Machinery	0.00	16.67
Total 620 Materials & Supplies	756.17	309.87
621 Office Supplies & Expense		
Administration	0.00	7.34
Bank Service Charges		
Deposit Correction Fee	50.23	0.00
New Checks	140.93	53.20
NSF fee	0.00	25.00
Return Item Fee	0.00	0.00
Returned Customer Check	0.00	0.00
Bank Service Charges - Other	24.84	126.12
Total Bank Service Charges	216.00	204.32
Cleaning Supplies	0.00	0.00
Communications		
Cell Phone (Trk)	551.89	293.90
Internet Service	0.00	0.00
Local Service (TDS)	99.24	95.79
Long Distance(MCI)	11.15	45.02
Telephone-Equip & Installation	0.00	0.00
Total Communications	662.28	434.71
Computer		
Equipment	0.00	0.00

Keaton Development Company
Profit & Loss
January through December 2003

	Jul 03	Aug 03
Total Computer	0.00	0.00
Contributions	0.00	20.00
Copier	0.00	300.73
FAX Expense	0.00	2.00
Outside FAX Charges	40.57	40.46
FAX Expense - Other		
Total FAX Expense	40.57	42.46
Office Supplies & Equipment	44.73	623.99
Postage and Delivery	180.40	155.70
Printing and Reproduction	0.00	24.00
Total 621 Office Supplies & Expense	1,143.98	1,813.25
635 Annual Sampling Fee	0.00	0.00
640 Rent		
640 Rent/Tipton	325.00	325.00
Office/Shop	0.00	0.00
Total 640 Rent	325.00	325.00
650 Transportation Expense		
Fuel	137.57	272.97
fuel/chap 11	0.00	12.44
Truck Servicing	54.81	465.38
Total 650 Transportation Expense	192.38	750.79
655 Insurance		
Automobile Insurance	0.00	674.45
Liability Insurance	5,000.00	0.00
Work Comp	0.00	0.00
Total 655 Insurance	5,000.00	674.45
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	0.00
Water Treatment Oper.License	230.00	195.00
Total 665 Regulatory Commission Exp	230.00	195.00
675 Miscellaneous		
Chapter 11 Qtrly fee	250.00	0.00
Dues and Subscriptions	0.00	0.00
Licenses and Permits	5.00	10.00
Recording fees	10.00	0.00
Travel & Ent		
Lodging	0.00	36.08
Meals	15.90	30.80
meals/chap 11	0.00	10.68
Travel	84.00	0.00

10:09 AM
04/28/04
Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	Jul 03	Aug 03
Total Travel & Ent	99.90	77.56
Total 675 Miscellaneous	364.90	87.56
Total 401 Operating Expenses	15,385.67	9,977.59
403 Depreciation Expense	0.00	0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	264.65	276.32
FUTA	4.07	8.62
Medicare	61.90	64.63
Penalties & Interest	0.00	0.00
SUI	2.75	5.83
Total Payroll Taxes	333.37	355.40
Property		
Penalty & Interest	0.00	0.00
Property - Other	0.00	0.00
Total Property	0.00	0.00
Sales Tax		
Accounting Credit	0.00	-7.84
Penalties & Interest	0.00	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	0.00	-7.84
Total 408 Taxes other than Income	333.37	347.56
427 Interest Expense		
Finance Charge	0.00	0.00
Late Fee	0.00	0.00
Penalties & Interest	0.00	0.00
WIFA - Fee Payments	0.00	78.48
WIFA - Interest Expense	0.00	73.50
Total 427 Interest Expense	0.00	151.98
Uncategorized Expenses	0.00	0.00
Total Expense	15,719.04	10,477.13
Net Ordinary Income	-1,392.20	4,021.96
Other Income/Expense		
Other Income	0.00	0.00
419 Interest Income	0.00	0.00
Total Other Income	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	Jul 03	Aug 03
Other Expense		
426 Other Expenses	0.00	0.00
Total Other Expense	0.00	0.00
Net Other Income	0.00	0.00
Net Income	-1,392.20	4,021.96

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

Sep 03

Oct 03

Ordinary Income/Expense**Income****400 Operating Revenues**

461.1 Water - Residential Cust.

474 Other Water Revenues

Construction

Late Fees

SEC Charges

Total 474 Other Water Revenues

Total 400 Operating Revenues**Uncategorized Income****Total Income****Gross Profit****Expense****401 Operating Expenses**

1099 - 631 Legal Fees

1099 accounts

631 Contractual - Professional

Accounting

Consulting

Engineering

Total 631 Contractual - Professional

635 Contract - Testing

Contractual - Testing

Total 635 Contract - Testing

636 Contractual - Other

Auto - Rent

Equipment Rental

krtelecrtical

Meter Reading

Operation and Maintenance

Outside Labor

636 Contractual - Other - Other

Total 636 Contractual - Other

Total 1099 accounts**601 Payroll Expenses**

Advance

Benefits

Bonuses

	Sep 03	Oct 03
400 Operating Revenues	12,054.42	11,554.55
461.1 Water - Residential Cust.	46.33	20.00
474 Other Water Revenues	42.65	114.96
Construction	120.00	180.00
Late Fees		
SEC Charges		
Total 474 Other Water Revenues	208.98	314.96
Total 400 Operating Revenues	12,263.40	11,869.51
Uncategorized Income	0.00	26.00
Total Income	12,263.40	11,895.51
Gross Profit	12,263.40	11,895.51
Expense		
401 Operating Expenses		
1099 - 631 Legal Fees	71.11	0.00
1099 accounts		
631 Contractual - Professional	0.00	0.00
Accounting	0.00	0.00
Consulting	0.00	0.00
Engineering	0.00	0.00
Total 631 Contractual - Professional	0.00	0.00
635 Contract - Testing		
Contractual - Testing	0.00	0.00
Total 635 Contract - Testing	0.00	0.00
636 Contractual - Other		
Auto - Rent	369.87	0.00
Equipment Rental	0.00	0.00
krtelecrtical	577.50	26.00
Meter Reading	0.00	0.00
Operation and Maintenance	0.00	301.50
Outside Labor	0.00	605.00
636 Contractual - Other - Other	0.00	0.00
Total 636 Contractual - Other	947.37	932.50
Total 1099 accounts	947.37	932.50
601 Payroll Expenses		
Advance	0.00	0.00
Benefits	166.44	166.44
Bonuses	0.00	0.00

Keaton Development Company
Profit & Loss
 January through December 2003

	Sep 03	Oct 03
Gross Wages	1,594.38	2,078.38
601 Payroll Expenses - Other	89.25	15.76
Total 601 Payroll Expenses	1,850.07	2,260.58
603 Officer Salary	1,000.00	3,750.00
615 Utilities		
Electric	1,006.62	816.05
water	26.40	8.80
Total 615 Utilities	1,033.02	824.85
618 Chemicals	156.92	0.00
620 Materials & Supplies		
Booster Pump Repair	32.84	0.00
Building Repairs	0.00	0.00
Equipment Repairs	185.82	38.88
Freight & Delivery	0.00	0.00
Job Materials	90.59	28.65
krc expense	45.04	169.01
Meter Repairs	16.78	0.00
Safety Equipment	11.29	5.92
Supplies for the Wells	0.00	0.00
Tools and Machinery	58.24	28.28
Total 620 Materials & Supplies	440.60	270.74
621 Office Supplies & Expense		
Administration	12.00	2.50
Bank Service Charges		
Deposit Correction Fee	0.00	0.00
New Checks	0.00	50.00
NSF fee	0.00	3.25
Return Item Fee	0.00	57.11
Returned Customer Check	0.00	8.52
Bank Service Charges - Other	8.04	
Total Bank Service Charges	8.04	118.88
Cleaning Supplies	3.29	41.62
Communications		
Cell Phone (Trk)	0.00	515.98
Internet Service	0.00	0.00
Local Service (TDS)	96.24	94.84
Long Distance(MCI)	38.72	27.09
Telephone-Equip & Installation	0.00	0.00
Total Communications	134.96	637.91
Computer		
Equipment	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Sep 03	Oct 03
Total Computer	0.00	0.00
Contributions	0.00	60.00
Copier	0.00	0.00
FAX Expense	0.00	0.00
Outside FAX Charges	40.46	40.42
FAX Expense - Other		
Total FAX Expense	40.46	40.42
Office Supplies & Equipment	0.00	110.03
Postage and Delivery	15.97	324.40
Printing and Reproduction	0.00	4.63
Total 621 Office Supplies & Expense	214.72	1,340.39
635 Annual Sampling Fee	0.00	1,088.35
640 Rent		
640 Rent/Tipton	325.00	325.00
Office/Shop	0.00	0.00
Total 640 Rent	325.00	325.00
650 Transportation Expense		
Fuel	288.59	202.49
fuel/chap 11	0.00	0.00
Truck Servicing	0.00	0.00
Total 650 Transportation Expense	288.59	202.49
655 Insurance		
Automobile Insurance	0.00	0.00
Liability Insurance	0.00	0.00
Work Comp	0.00	0.00
Total 655 Insurance	0.00	0.00
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	45.00
Water Treatment Oper.License	195.00	195.00
Total 665 Regulatory Commission Exp	195.00	240.00
675 Miscellaneous		
Chapter 11 Ctrly fee	0.00	500.00
Dues and Subscriptions	5.00	0.00
Licenses and Permits	0.00	0.00
Recording fees	0.00	0.00
Travel & Ent		
Lodging	35.57	0.00
Meals	190.81	40.30
meals/chap 11	82.97	0.00
Travel	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

	Sep 03	Oct 03
Total Travel & Ent	309.35	40.30
Total 675 Miscellaneous	314.35	540.30
Total 401 Operating Expenses	6,836.75	11,775.20
403 Depreciation Expense	0.00	0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	147.44	355.29
FUTA	1.35	9.26
Medicare	34.49	83.09
Penalties & Interest	36.07	20.04
SUI	7.08	6.87
Total Payroll Taxes	226.43	474.55
Property		
Penalty & Interest	0.00	0.00
Property - Other	8,873.54	0.00
Total Property	8,873.54	0.00
Sales Tax		
Accounting Credit	-7.98	0.00
Penalties & Interest	0.00	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	-7.98	0.00
Total 408 Taxes other than Income	9,091.99	474.55
427 Interest Expense		
Finance Charge	0.00	0.00
Late Fee	0.00	0.00
Penalties & Interest	0.00	0.00
WIFA - Fee Payments	78.48	78.48
WIFA - Interest Expense	73.50	73.50
Total 427 Interest Expense	151.98	151.98
Uncategorized Expenses	0.00	0.00
Total Expense	16,080.72	12,401.73
Net Ordinary Income	-3,817.32	-506.22
Other Income/Expense		
Other Income	0.00	0.00
419 Interest Income	0.00	0.00
Total Other Income	0.00	0.00

10:09 AM
04/28/04
Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	Sep 03	Oct 03
Other Expense	0.00	0.00
426 Other Expenses		0.00
Total Other Expense	0.00	0.00
Net Other Income	0.00	0.00
Net Income	-3,817.32	-506.22

10:09 AM
04/28/04
Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	Nov 03	Dec 03
Ordinary Income/Expense		
Income		
400 Operating Revenues	12,201.57	10,444.76
461.1 Water - Residential Cust.	0.00	100.38
474 Other Water Revenues	294.26	29.19
Construction	240.00	150.00
Late Fees		
SEC Charges		
Total 474 Other Water Revenues	534.26	279.57
Total 400 Operating Revenues	12,735.83	10,724.33
Uncategorized Income	0.00	0.00
Total Income	12,735.83	10,724.33
Gross Profit	12,735.83	10,724.33
Expense		
401 Operating Expenses		
1099 - 631 Legal Fees	110.00	0.00
1099 accounts		
631 Contractual - Professional		
Accounting	0.00	0.00
Consulting	0.00	1,615.00
Engineering	0.00	0.00
Total 631 Contractual - Professional	0.00	1,615.00
635 Contract - Testing		
Contractual - Testing	0.00	0.00
Total 635 Contract - Testing	0.00	0.00
636 Contractual - Other		
Auto - Rent	0.00	0.00
Equipment Rental	0.00	2,608.31
krc/electrical	65.00	0.00
Meter Reading	0.00	0.00
Operation and Maintenance	41.00	0.00
Outside Labor	500.00	0.00
636 Contractual - Other - Other	0.00	0.00
Total 636 Contractual - Other	606.00	2,608.31
Total 1099 accounts	606.00	4,223.31
601 Payroll Expenses		
Advance	0.00	-1,333.01
Benefits	166.44	338.02
Bonuses	0.00	125.00

Keaton Development Company
Profit & Loss
 January through December 2003

	Nov 03	Dec 03
Gross Wages	911.75	2,336.88
601 Payroll Expenses - Other	47.88	8.38
Total 601 Payroll Expenses	1,126.07	1,475.27
603 Officer Salary	0.00	1,666.67
615 Utilities		
Electric	0.00	840.89
water	8.80	8.97
Total 615 Utilities	8.80	849.86
618 Chemicals	295.00	0.00
620 Materials & Supplies		
Booster Pump Repair	0.00	0.00
Building Repairs	0.00	0.00
Equipment Repairs	226.69	0.00
Freight & Delivery	595.39	0.00
Job Materials	78.72	1,366.16
krc expense	21.02	0.00
Meter Repairs	0.00	0.00
Safety Equipment	10.18	0.00
Supplies for the Wells	0.00	0.00
Tools and Machinery	45.71	0.00
Total 620 Materials & Supplies	977.71	1,366.16
621 Office Supplies & Expense		
Administration	39.75	0.00
Bank Service Charges		
Deposit Correction Fee	0.00	0.00
New Checks	0.00	0.00
NSF fee	0.00	0.00
Return Item Fee	3.25	0.00
Returned Customer Check	19.38	0.00
Bank Service Charges - Other	36.30	90.90
Total Bank Service Charges	58.93	90.90
Cleaning Supplies	0.00	0.00
Communications		
Cell Phone (Trk)	123.79	414.89
Internet Service	0.00	0.00
Local Service (TDS)	94.84	96.18
Long Distance(MCI)	14.77	34.20
Telephone-Equip & Installation	0.00	0.00
Total Communications	233.40	545.27
Computer		
Equipment	0.00	0.00

Keaton Development Company
Profit & Loss
January through December 2003

	Nov 03	Dec 03
Total Computer	0.00	0.00
Contributions	35.00	0.00
Copier	0.00	0.00
FAX Expense	0.00	0.00
Outside FAX Charges	0.00	0.00
FAX Expense - Other	40.42	40.42
Total FAX Expense	40.42	40.42
Office Supplies & Equipment	39.68	0.00
Postage and Delivery	166.51	476.69
Printing and Reproduction	0.00	0.00
Total 621 Office Supplies & Expense	613.69	1,153.28
635 Annual Sampling Fee	0.00	0.00
640 Rent	325.00	325.00
640 Rent/Tipton	0.00	0.00
Office/Shop	0.00	0.00
Total 640 Rent	325.00	325.00
650 Transportation Expense		
Fuel	239.49	20.00
fuel/chap 11	0.00	0.00
Truck Servicing	34.89	0.00
Total 650 Transportation Expense	274.38	20.00
655 Insurance		
Automobile Insurance	1,207.29	0.00
Liability Insurance	0.00	0.00
Work Comp	0.00	0.00
Total 655 Insurance	1,207.29	0.00
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	0.00
Water Treatment Oper.License	195.00	0.00
Total 665 Regulatory Commission Exp	195.00	0.00
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	0.00
Dues and Subscriptions	0.00	65.00
Licenses and Permits	0.00	0.00
Recording fees	0.00	0.00
Travel & Ent		
Lodging	0.00	0.00
Meals	45.37	0.00
meals/chap 11	0.00	0.00
Travel	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Nov 03	Dec 03
Total Travel & Ent	45.37	0.00
Total 675 Miscellaneous	45.37	65.00
Total 401 Operating Expenses	5,784.31	11,144.55
403 Depreciation Expense	0.00	23,596.85
408 Taxes other than Income		
Payroll Taxes		
FICA	59.50	248.71
FUTA	1.99	18.64
Medicare	13.90	58.16
Penalties & Interest	0.00	0.00
SUI	1.33	8.99
Total Payroll Taxes	76.72	334.50
Property		
Penalty & Interest	0.00	1,320.00
Property - Other	0.00	0.00
Total Property	0.00	1,320.00
Sales Tax		
Accounting Credit	0.00	0.00
Penalties & Interest	0.00	0.00
Sales Tax - Other	0.00	0.00
Total Sales Tax	0.00	0.00
Total 408 Taxes other than Income	76.72	1,654.50
427 Interest Expense		
Finance Charge	0.00	0.00
Late Fee	0.40	0.00
Penalties & Interest	0.00	0.00
WIFA - Fee Payments	78.48	78.48
WIFA - Interest Expense	73.50	73.50
Total 427 Interest Expense	152.38	151.98
Uncategorized Expenses	0.00	0.00
Total Expense	6,013.41	36,547.88
Net Ordinary Income	6,722.42	-25,823.55
Other Income/Expense		
Other Income	0.00	0.00
419 Interest Income	0.00	0.00
Total Other Income	0.00	0.00

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

Other Expense
426 Other Expenses
Total Other Expense
Net Other Income
Net Income

	Nov 03	Dec 03
	229.65	0.00
	229.65	0.00
	-229.65	0.00
	6,492.77	-25,823.55

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

TOTAL

Ordinary Income/Expense

Income

400 Operating Revenues	147,944.21
461.1 Water - Residential Cust.	
474 Other Water Revenues	
Construction	474.29
Late Fees	1,011.48
SEC Charges	2,070.00
Total 474 Other Water Revenues	3,555.77

Total 400 Operating Revenues

Uncategorized Income

Total Income

Gross Profit

Expense

401 Operating Expenses	
1099 - 631 Legal Fees	17,575.37
1099 accounts	
631 Contractual - Professional	
Accounting	1,345.00
Consulting	3,815.00
Engineering	818.45
Total 631 Contractual - Professional	5,978.45
635 Contract - Testing	
Contractual - Testing	445.00
Total 635 Contract - Testing	445.00

636 Contractual - Other

Auto - Rent	769.87
Equipment Rental	2,608.31
krc/electrical	888.50
Meter Reading	355.17
Operation and Maintenance	937.50
Outside Labor	1,205.00
636 Contractual - Other - Other	60.00
Total 636 Contractual - Other	6,824.35

Total 1099 accounts

601 Payroll Expenses

Advance	0.00
Benefits	2,168.86
Bonuses	125.00
Total 1099 accounts	13,247.80

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

	TOTAL
Gross Wages	22,270.30
601 Payroll Expenses - Other	821.72
Total 601 Payroll Expenses	25,385.88
603 Officer Salary	18,333.34
615 Utilities	
Electric	11,015.62
water	98.51
Total 615 Utilities	11,114.13
618 Chemicals	
620 Materials & Supplies	451.92
Booster Pump Repair	276.64
Building Repairs	927.40
Equipment Repairs	1,381.30
Freight & Delivery	1,072.02
Job Materials	1,806.11
krc expense	235.07
Meter Repairs	39.19
Safety Equipment	172.84
Supplies for the Wells	640.00
Tools and Machinery	198.90
Total 620 Materials & Supplies	6,749.47
621 Office Supplies & Expense	
Administration	234.34
Bank Service Charges	
Deposit Correction Fee	50.23
New Checks	313.96
NSF fee	75.00
Return Item Fee	9.75
Returned Customer Check	202.22
Bank Service Charges - Other	320.84
Total Bank Service Charges	972.00
Cleaning Supplies	79.39
Communications	
Cell Phone (Trk)	2,134.62
Internet Service	30.90
Local Service (TDS)	1,843.11
Long Distance(MCI)	183.48
Telephone-Equip & Installation	51.55
Total Communications	4,243.66
Computer	
Equipment	78.89

Keaton Development Company
Profit & Loss
January through December 2003

	TOTAL
Total Computer	78.89
Contributions	154.00
Copier	300.73
FAX Expense	2.00
Outside FAX Charges	572.47
FAX Expense - Other	
Total FAX Expense	574.47
Office Supplies & Equipment	721.54
Postage and Delivery	2,313.36
Printing and Reproduction	122.35
Total 621 Office Supplies & Expense	9,794.73
635 Annual Sampling Fee	1,088.35
640 Rent	
640 Rent/Tipton	3,838.00
Office/Shop	506.78
Total 640 Rent	4,344.78
650 Transportation Expense	
Fuel	1,423.36
fuel/chap 11	12.44
Truck Servicing	619.08
Total 650 Transportation Expense	2,054.88
655 Insurance	
Automobile Insurance	2,358.74
Liability Insurance	5,000.00
Work Comp	957.00
Total 655 Insurance	8,315.74
665 Regulatory Commission Exp	
Annual Report Filing Fee	45.00
Water Treatment Oper.License	1,785.00
Total 665 Regulatory Commission Exp	1,830.00
675 Miscellaneous	
Chapter 11 Qtrly fee	750.00
Dues and Subscriptions	3,302.70
Licenses and Permits	15.00
Recording fees	10.00
Travel & Ent	
Lodging	138.89
Meals	385.02
meals/chap 11	93.65
Travel	574.66

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company

Profit & Loss

January through December 2003

	TOTAL
Total Travel & Ent	1,192.22
Total 675 Miscellaneous	5,269.92
Total 401 Operating Expenses	125,556.31
403 Depreciation Expense	23,596.85
408 Taxes other than Income	
Payroll Taxes	
FICA	2,542.35
FUTA	184.33
Medicare	594.58
Penalties & Interest	330.35
SUI	127.51
Total Payroll Taxes	3,779.12
Property	
Penalty & Interest	1,320.00
Property - Other	8,873.54
Total Property	10,193.54
Sales Tax	
Accounting Credit	-22.28
Penalties & Interest	40.58
Sales Tax - Other	0.00
Total Sales Tax	18.30
Total 408 Taxes other than Income	13,990.96
427 Interest Expense	
Finance Charge	2,733.57
Late Fee	140.40
Penalties & Interest	35.00
WIFA - Fee Payments	811.34
WIFA - Interest Expense	773.63
Total 427 Interest Expense	4,493.94
Uncategorized Expenses	0.00
Total Expense	167,638.06
Net Ordinary Income	-16,112.08
Other Income/Expense	
Other Income	
419 Interest Income	0.55
Total Other Income	0.55

10:09 AM

04/28/04

Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

TOTAL	
Other Expense	229.65
426 Other Expenses	
Total Other Expense	229.65
Net Other Income	-229.10
Net Income	-16,341.18

STATE OF ARIZONA



Corporation Commission

~~To all to Whom these Presents shall Come, Greeting:~~

I, WILLIAM R. JOHNSON, SECRETARY OF THE ARIZONA
CORPORATION COMMISSION, DO HEREBY CERTIFY THAT the annexed is a true and
complete copy of the ARTICLES OF INCORPORATION

of

KEATON DEVELOPMENT COMPANY

which were filed in the office of the Arizona Corporation Commission
on the 26th day of April, 1971, as provided by law.

IN WITNESS WHEREOF, I HAVE HEREUNTO
SET MY HAND AND AFFIXED THE OFFICIAL SEAL
OF THE ARIZONA CORPORATION COMMISSION, AT
THE CAPITOL, IN THE CITY OF PHOENIX, THIS 26th
DAY OF April A. D. 1971

William R. Johnson
SECRETARY.

BY

82640
ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

FILED

APR 26 1971
4:40 P. M.

At Byrne, Green & Ellsworth at request of

Address 152 First Avenue

Yuma, Arizona 85364

By Mary L. Sanchez

William R. Johnson,

INDEXED

MICROFILMED

State of Arizona }
County of Yuma } No. 7855

I hereby certify that the within instrument
was filed and recorded at the request of

Byrne, Green & Ellsworth

1971 APR 28 PM 3 16

In Docket 646 on Page 49-57

Witness my hand and official seal the day
and year aforesaid.

CARA M. BETTS

Racaela Pinson
County Recorder
Deputy Recorder 200

STATE OF ARIZONA



Corporation Commission

To all to Whom these Presents shall Come, Greeting:

BE IT KNOWN THAT KEATON DEVELOPMENT COMPANY

HAVING SUBMITTED TO THE ARIZONA CORPORATION COMMISSION EVIDENCE OF COMPLIANCE WITH THE LAWS OF THE STATE OF ARIZONA GOVERNING THE INCORPORATION OF COMPANIES, IS, BY VIRTUE OF THE POWER VESTED IN THE COMMISSION UNDER THE CONSTITUTION AND THE LAWS OF THE STATE OF ARIZONA, HEREBY GRANTED THIS

CERTIFICATE OF INCORPORATION

AUTHORIZING SAID COMPANY TO EXERCISE THE FUNCTIONS OF A CORPORATION, UNDER THE LAWS NOW IN EFFECT IN THE STATE OF ARIZONA, AND SUBJECT TO SUCH LAWS AS MAY HEREAFTER BE ENACTED, FOR A PERIOD OF TWENTY-FIVE YEARS FROM THE DATE HEREOF, UNLESS SOONER REVOKED BY AUTHORITY OF LAW.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

In Witness Whereof, I,

RUSSELL WILLIAMS

THE CHAIRMAN, HAVE HEREUNTO SET MY HAND AND CAUSED THE OFFICIAL SEAL OF THE ARIZONA CORPORATION COMMISSION TO BE AFFIXED AT THE CAPITOL, IN THE CITY OF PHOENIX, THIS 29th
DAY OF April

A. D. 1971

Russell Williams
CHAIRMAN.

ATTEST:

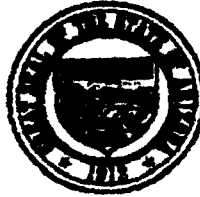
William R. Johnson
SECRETARY.

BY

ASSISTANT SECRETARY.

NO. 82640

STATE OF ARIZONA



Office of the CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, James G. Jayne, Interim Executive Secretary of the Arizona Corporation Commission, do hereby certify that

KEATON DEVELOPMENT COMPANY

a domestic corporation organized under the laws of the State of Arizona, did incorporate on April 26, 1971.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 1st Day of August, 2003, A. D.



Interim Executive Secretary

By

ARTICLES OF INCORPORATION
of
KEATON DEVELOPMENT COMPANY

- - - - -

KNOW ALL MEN BY THESE PRESENTS:

That we, KEATON KELLER, REX E. KELLER and EVA KELLER, the undersigned, having this day associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, do hereby adopt the following Articles of Incorporation:

ARTICLE I

The name of the corporation is KEATON DEVELOPMENT COMPANY.

ARTICLE II

The names, residences and post office addresses of the incorporators of KEATON DEVELOPMENT COMPANY are as follows:

KEATON KELLER
P. O. Box 424
Salome, Arizona 85348

REX E. KELLER
P. O. Box 415
Salome, Arizona 85348

EVA KELLER
P. O. Box 415
Salome, Arizona 85348

ARTICLE III

The principal place of business of KEATON DEVELOPMENT

COMPANY is Salome, Arizona. Other offices may be established and maintained within or without the State of Arizona, at such places as the Board of Directors may designate.

ARTICLE IV

The general nature of the business proposed to be transacted and in which this corporation may engage is as follows:

1. To acquire by purchase, development or otherwise, a water distribution system; to distribute water for irrigation and domestic purposes; to acquire water by purchase, development, or otherwise; to construct reservoirs or water towers; to sink wells; to erect pumping machinery and equipment, lay water mains, pipes, gates, valves, hydrants and ditches.
2. To buy, lease, or in any manner acquire real or personal property; to plan, develop, subdivide and in any manner provide for establishing of mobile home parks, together with facilities and services incident to such parks.
3. To sell, lease or rent mobile home spaces for cash or on terms; to provide facilities and services incident to the enjoyment of such mobile home spaces and mobile home parks, and to charge for such facilities and services where same is indicated.
4. To own, manage or in any other manner engage in the operation of mobile home parks, and to promulgate rules and regulations for such parks.
5. To buy, sell, trade, rent, lease, service, transport,

and in any other manner deal in mobile or modular homes, trailers, equipment, motor vehicles, furniture, appliances and goods, products and services of all kinds and nature, both at wholesale and retail, and to do and perform such other services as may become usual, customary, proper or necessary in connection with any of the foregoing purposes.

6. To buy, lease, rent and sell property, real and personal, of every kind and nature, either for cash or on credit, or in exchange for other property or otherwise, and to mortgage same; to construct buildings, store rooms, offices, and to lease, operate or manage such property.

7. To lend money and negotiate loans, to draw, accept, endorse, discount, buy, sell and deliver negotiable instruments and securities of all types and characters, including but without limitation of the foregoing, bills of exchange, promissory notes, bonds, debentures, mortgages, security agreements, and generally to carry on any business undertaking and actions or operation commonly carried on by a financial business.

8. To borrow or lend money and to give and receive any kind of evidence thereof, and to raise money by the sale of any character of indebtedness.

9. To enter into joint venture and partnership agreements with individuals, other corporations and partnerships.

10. To act as trustee and place corporation property in trust.

11. Without limiting any of the objects or purposes or powers of the Corporation, the business or purposes of this Corporation shall be from time to time to do any one or more or all of the acts herein set forth, and all other such acts, things and business in any manner connected therewith, or necessary, incidental, convenient or auxiliary thereto, or calculated directly or indirectly to promote the interests of the Corporation or enhance the value of or render profitable any of its property or rights, such as a Corporation may lawfully do.

ARTICLE V

The capital stock of this corporation shall be the sum of ONE MILLION DOLLARS (\$1,000,000.00), divided into ONE MILLION (1,000,000) SHARES of the par value of ONE DOLLAR (\$1.00) each, which shall be paid for at such time and in such manner as the Board of Directors may designate. All or any portion of the said stock may be issued in payment of real or personal property, services, or any other thing of value for the use of the corporation, and when so issued, it shall become and be fully paid, as if paid for in cash or at par, and the directors shall be the sole judges of the property, right or thing acquired in exchange for any capital stock.

ARTICLE VI

The time of the commencement of this corporation shall be the date of the filing of these Articles of Incorporation with the Corporation Commission of the State of Arizona, and the termination thereof shall be TWENTY-FIVE (25) years thereafter, with the right of the corporation to renew its charter as provided by law.

ARTICLE VII

The affairs of the corporation shall be conducted by a Board of Directors consisting of not less than Three (3) nor more than Five (5) persons who shall be elected annually by the stockholders at their annual meeting to be held on the Second Tuesday of FEBRUARY of each year, commencing in 1972, and who shall serve until their successors have been elected and qualified.

ARTICLE VIII

The highest amount of indebtedness of liability, direct or contingent to which the corporation is at any time to subject itself, shall in no case exceed two-thirds (2/3rds) of the par value of the authorized capital stock.

ARTICLE IX

The private property of the stockholders, directors and officers of this corporation shall be forever exempt from all corporate debts and obligations.

ARTICLE X

DAVID S. ELLSWORTH, having been a bona fide resident

of Yuma County, Arizona, for the last three (3) years, and whose address is 152 First Avenue, Yuma, Arizona 85364, is hereby appointed and made legal agent for and on behalf of this corporation in and for the State of Arizona, to accept and acknowledge service on and upon whom may be served all necessary process or processes in any action, suit or proceeding that may be had, or brought against said corporation, and in any other courts of the State of Arizona, such service of process or notice of the acceptance thereof by him endorsed thereon, to have the same force and effect as if served upon the President and Secretary of the company. This appointment may be revoked at any time by filing an appointment of another agent.

IN WITNESS WHEREOF, we have hereunto affixed our signatures this 21 day of April, 1971.

151 Keaton Keller

KEATON KELLER
Incorporator
P. O. Box 424
Salome, Arizona 85348

151 Rex E. Keller

REX E. KELLER
Incorporator
P. O. Box 415
Salome, Arizona 85348

151 Eva Keller

EVA KELLER
Incorporator
P.O. Box 415
Salome, Arizona 85348

STATE OF ARIZONA]
] ss.
County of Yuma]

On this 21 day of April, 1971, before me,
the undersigned Notary Public, personally appeared KEATON KELLER,
REX E. KELLER and EVA KELLER, known to me to be the persons whose
names are subscribed to the foregoing instrument and acknowledged
that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official
seal.

151 William Dan Davis
Notary Public (Seal)

My Commission Expires:

Jan 15, 1975

AMENDME. TO THE ARTICLES OF INCORPORATION
OF THE
KEATON DEVELOPMENT COMPANY

FILED
SEP 23 8 09 AM '96
DATE APPR 2-8-92
TERM
DATE TIME

Pursuant to Arizona Revised Statutes, Section 10-1002, the Articles of Incorporation of Keaton Development Company, are hereby amended in the following respects:

ARTICLE IV

The time of the commencement of this corporation shall be the date of the filing of the original Articles of Incorporation with the Corporation Commission of the State of Arizona, and the term of duration shall be perpetual.

ARTICLE VII

Effective on September 4, 1996, the affairs of the Corporation shall be conducted by a Board of Directors consisting of not less than one (1) nor more than five (5) persons who shall be elected annually by the stockholders at their annual meeting to be held on the Second Tuesday of February of each year, and who shall serve until their successors have been elected and qualified.

All other provisions of the original Articles of Incorporation of Keaton Development Company remain unchanged.

CERTIFICATION

I, Dorothy Matthews, the duly elected, qualified and acting Secretary of Keaton Development Company, an Arizona corporation, do hereby certify that the above is the Amendment to Articles of Incorporation of this Corporation duly and regularly adopted by the Directors thereof at a meeting duly and regularly called and held at the law office of Churchill & Krueger on the 4th day of September, 1996. Further, this amendment was adopted by the Board of Directors without shareholder action, as shareholder action was not required.

Dated this 4th day of September, 1996.

Keaton Development Company, an
Arizona corporation

By: Dorothy Matthews
Dorothy Matthews, Secretary

APPROVED:

Marcus Matthews
Marcus Matthews, Director

STATE OF ARIZONA

County of La Paz

/
:ss
)

On this 4th day of September, 1996, before me, the undersigned Notary Public, personally appeared DOROTHY MATTHEWS and MARCUS MATTHEWS, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Nita Coleman

Notary Public

My Commission expires:

3/28/2000



BY-LAWS
OF
KEATON DEVELOPMENT COMPANY

ARTICLE I.

OFFICES - STATUTORY AGENT

Section 1. OFFICES. The principal place of business of the corporation shall be in the City of Salome, County of Yuma, State of Arizona. The corporation may have offices and places of business at such other places as may be determined by the Board of Directors.

Section 2. STATUTORY AGENT. The statutory agent of the corporation in Arizona, upon whom all notices and processes, including summons, may be served, is DAVID S. ELLSWORTH, who at the time of his appointment was a bona fide resident of Arizona for at least three (3) years.

ARTICLE II.

STOCKHOLDERS

Section 1. PLACE OF MEETINGS. All meetings of the stockholders shall be held at the office of the corporation, in the City of Yuma, County of Yuma, and State of Arizona, or at such other place within Arizona as shall from time to time be determined by the Board of Directors.

Section 2. ANNUAL MEETINGS. An annual meeting of

stockholders shall be held on the Second Tuesday of FEBRUARY in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following at _____ o'clock _____.M., when they shall elect by a majority vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 3. SPECIAL MEETINGS. Special Meetings of the stockholders for any purposes, unless otherwise prescribed by statute, may be called by the President, and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning twenty-five percent (25%) in amount of the entire capital stock of the corporation issued and outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. The business transacted at all special meetings shall be confined to the objects stated in the call.

Section 4. NOTICES. Written notice of annual and special meetings of stockholders, stating the time, place and object thereof, shall be mailed, postage prepaid, at least ten (10) days before such meeting, to each stockholder, entitled to vote thereat at such address as appears on the books of the corporation, except such as may in writing waive such notice; provided, however, that thirty (30) days notice shall be given.

at which it is proposed to amend the Articles of Incorporation as provided for by Section 53-303 of the General Corporation Law of Arizona.

Section 5. QUORUM. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meetings at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 6. CUMULATIVE VOTING. At all stockholders meetings at which directors of this corporation are to be elected, each stockholder entitled to vote shall have as many votes as shall equal the number of shares of voting stock owned by him, multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or any two or more of them as he may see fit.

ARTICLE III.

DIRECTORS

Section 1. NUMBER, QUALIFICATION AND TERM. The property and business of the corporation shall be managed by its Board of Directors, consisting of not less than three (3) nor more than five (5) persons. Directors need not be stockholders. They shall be elected at the annual meeting of the stockholders, or from time to time by resolution of the Board of Directors, and each director shall be elected to serve until his successor shall be elected and shall qualify.

Section 2. VACANCIES. If the office of any director or directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining directors, though less than a quorum shall choose a successor or successors who shall hold office until the next annual election and until a successor or successors have been duly elected, unless sooner displaced.

Section 3. ADDITIONAL POWERS. In addition to the powers and authorities by these By-Laws expressly conferred upon it, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 4. MEETINGS OF THE BOARD OF DIRECTORS. A regular meeting of the Board of Directors shall be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held, or at such other place within the State of Arizona as the directors shall designate; thereafter, regular meetings of the Board of Directors shall be held on five (5) days' notice, at such time and such place as the Board of Directors shall designate.

Special meetings may be held at any time upon the call of the President, and shall be called by the President or Secretary or other officer performing his duties, on the request of two (2) directors, which request need not be in writing. Notice of special meetings shall be given by the Secretary or other officer performing his duties, orally or by telegraph or by mail. Such notice shall be given or sent or mailed not less than five (5) days before the meeting. Meetings may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing, either before or after the meeting.

Section 5. QUORUM. A majority of the directors shall constitute a quorum at any meeting, except when otherwise provided by law, but a less number may adjourn any meeting from time to time and the meeting may be held as adjourned without further notice.

ARTICLE IV.

OFFICERS AND AGENTS

Section 1. ELECTION AND APPOINTMENT. The Board of Directors, as soon as may be after each annual meeting of stockholders and election, shall choose a President of the corporation, and from time to time shall choose one or more Vice-Presidents, a Secretary and a Treasurer, and from time to time may appoint such other officers, agents and employees as it may deem proper.

The office of Secretary and Treasurer may be held by the same person, and a President or a Vice-President of the corporation may also be the Treasurer. Any Vice-President may also be a Secretary. The President shall be chosen from among the directors.

Section 2. TERM OF OFFICE. The President shall hold office, unless he shall become disqualified or sooner removed by a vote of a majority of all the members of the Board, for the term of one (1) year. All other officers shall hold office at the pleasure of the Board.

Section 3. POWERS AND DUTIES OF THE PRESIDENT. The President be the chief executive officer of the corporation, and shall have the general management and superintendence of the affairs of the corporation; he shall preside at all meetings of the stockholders and directors; and in all cases where,

and to the extent that, the duties of the other officers of the company are not specially prescribed by the By-Laws, rules or regulations of the Board of Directors, the President may prescribe such duties. He shall have and may exercise any and all powers and perform any and all duties pertaining to the office of President, or conferred or imposed upon the President by the By-Laws, or by the Board of Directors.

Subject to such limitations as the Board of Directors may from time to time prescribe, the President shall have power to appoint and dismiss all such agents and employees of the company (including any appointed by the Board) as he may deem proper, and to prescribe their duties, and subject to like limitations, may from time to time, delegate to other officers of the company any of the powers and duties conferred upon him by the By-Laws or by the Board of Directors.

Section 4. POWERS AND DUTIES OF THE VICE-PRESIDENTS.

The Vice-Presidents in the order of their seniority, in the absence or disability of the President, shall perform the duties and exercise the powers of the President and shall perform such other duties, as may be prescribed by the Board of Directors and subject thereto by the President.

Section 5. POWERS AND DUTIES OF THE SECRETARY. The

Secretary shall attend all sessions of the Board and all meetings of the stockholders and act as Clerk thereof, and record

all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any committee of the Board when required. He shall cause to be given notice of all meetings of stockholders and directors and shall perform such other duties as pertain to his office. He shall keep in safe custody the seal of the corporation when authorized by the Board of Directors, affix it when required to any instrument.

Section 6. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall have the custody of all the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the corporation.

Section 7. POWERS AND DUTIES OF OTHER OFFICERS. All other officers shall have such duties and exercise such powers as generally pertain to their respective offices as well as

such duties and powers as from time to time may be prescribed by the President or the Board of Directors.

ARTICLE V.

STOCK AND STOCK CERTIFICATES

Section 1. TRANSFERS. The shares of stock of the corporation shall be transferable only on the books of the corporation.

Section 2. STOCK CERTIFICATES. Certificates of stock shall be signed by the President or Vice-President and the Secretary or Treasurer, and shall be sealed with the corporate seal.

ARTICLE VI.

FINANCE

Section 1. RESERVES. Before making any distribution of profits there may be set aside out of the net profits of the corporation such sum or sums as the directors from time to time in their absolute discretion deem expedient as a reserve fund to meet contingencies, or for equalizing dividends, or for maintaining any property of the corporation, or for any other purpose, and any profits of any year not distributed as dividends shall be deemed to have been thus set apart until otherwise disposed of by the Board of Directors.

Section 2. CHECKS. The moneys of the corporation shall be deposited in the name of the corporation in such bank

or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check signed by such persons as may be designated from time to time by resolution of the of the Board of Directors..

Section 3. FISCAL YEAR. The fiscal year of the corporation shall begin on the 1st day of JULY and end on the 30th day of JUNE of each year, unless otherwise provided by the Board of Directors.

ARTICLE VII.

WAIVER OF NOTICE

Section 1. WAIVER OF NOTICE. Any stockholder, officer or director may waive any notice required to be given under these By-Laws.

When under the provisions of these By-Laws notice is required to be given to any director, officer or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing by depositing the same in a post office or letter box, in a postpaid, sealed wrapper, addressed to such stockholder, officer or director, at such address as appears on the books of the corporation.

ARTICLE VIII.

SEAL

Section 1. CORPORATE SEAL. The Corporate Seal of the corporation shall consist of two concentric circles, between

which shall be the name of the corporation, and in the center shall be inscribed the year of its incorporation and the words, "Corporate Seal, Arizona."

ARTICLE IX.

AMENDMENTS

Section 1. AMENDMENTS. These By-Laws may be amended by vote of a majority of the stockholders entitled to vote at any annual meeting, or at any special meeting of stockholders called for that purpose.

AMENDMENT TO THE BY-LAWS
OF THE
KEATON DEVELOPMENT COMPANY

Pursuant to Article IX, Amendment of Bylaws, the By-Laws of Keaton Development Company, an Arizona corporation, are hereby amended in the following respects:

ARTICLE III
Directors

SECTION 1. Number, Qualification and Term. The property and business of the corporation shall be managed by its Board of Directors, consisting of not less than one (1) nor more than five (5) persons. Directors need not be stockholders. They shall be elected at the annual meeting of the stockholders, or from time to time by resolution of the Board of Directors, and each director shall be elected to serve until his successor shall be elected and shall qualify.

ARTICLE IV
Officers

SECTION 1. Election and Appointment. The officers of the Corporation shall be a President and a Secretary/Treasurer. Such other officers, assistant officers and agents as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person.

SECTION 5. and SECTION 6. Secretary and Treasurer, respectively. The duties of these two offices shall be combined and become the duties of the Secretary/Treasurer.

All other provisions of the original By-Laws of Keaton Development Company remain unchanged.

CERTIFICATION

I, Dorothy Matthews, the duly elected, qualified and acting Secretary of Keaton Development Company, an Arizona corporation, do hereby certify that the above is the Amendment to By-Laws of this Corporation duly and regularly adopted by the Directors thereof at a meeting duly and regularly called and held at the law office of Churchill & Krueger on the 4th day of September, 1996.

Dated this 4th day of September, 1996.

Keaton Development Company, an
Arizona corporation

By: Dorothy Matthews
Dorothy Matthews, Secretary

Project Data Addendum

1. Explain the reason or need for the Project – *Attach additional pages, if necessary:*

There are four areas of need that are being addressed by this project. These areas are; the lack of a master plan for the expansion that will be required in the very new future, the lack of any information on the existing ground storage reservoirs, the extreme shortcomings in the chlorination system and the lack of any electric back-up for power outages.

Currently Keaton Development Company does not have a master plan for the expansion of the existing water system to meet the growing demands of the area. While Keaton Development Company has plans regarding the existing water system and plans for the current expansions, it has absolutely no master plan for future developments planned for the area. It is imperative that Keaton Development Company have a concise plan to meet the future needs of the community it serves.

Keaton Development Company currently has three existing ground storage reservoirs. At this time the owner has absolutely no information regarding the existing conditions of these reservoirs. In addition, the current storage capacity of 55k-60k will not be adequate to serve the current requirements plus the additional 126 lots that are in development at this time. It is clear that we need to find out what repairs, improvements and expansion is needed to ensure reliable service of these important system components.

The current chlorination system is not of adequate size and design to facilitate the needs created by the current and increasing demands of our growing customer base. We need to have the system reviewed to see what can be done to overhaul or replace the plant piping to provide for adequate contact time to eliminate the "short circuit" situation that exists under certain conditions, at this time. The plant piping also needs to be examined to see what revisions can be made so that the system will include "no slam" check valves downstream from pressure pumps to eliminate water hammer shock to the water system and remove noise nuisance to the neighborhood. Currently the individuals that live near the plant are subjected to loud slam-bang noises every few minutes 24 hours a day.

Currently Keaton Development Company does not have electric backup during power outages. Keaton Development Company has purchased a Diesel Electric Generator Set, however, the site electric system needs to be redesigned to accommodate the unit. Keaton Development Company is also concerned that the existing site electrical system may be substandard. We need to have this evaluated at the same time.

2. Project Description – *Attach additional pages, if necessary:*

A. Give a detailed description of the proposed project. – *Include all components to be constructed*

This is project is an evaluation of the four areas discussed above. From this evaluation, a construction/redesign project will be engineered to allow the Keaton Development Company to

obtain the construction funding necessary to complete the required improvements. This evaluation will examine each of the four problem areas discussed above.

The lack of a plan to meet future development will be addressed by the development of a Master Plan. The Master Plan will include a thorough evaluation of the existing water production, storage and distribution facilities and determine an orderly sequence to update the facilities to satisfy the existing conditions and prepare for the future anticipated growth of the water system.

The issues regarding the reservoirs will be addressed by the draining of the three existing ground storage reservoirs so that a thorough inspection can be conducted to determine the existing conditions. From the results of the inspection, Keaton Development Company will receive the information required to complete all necessary improvements or expansion to ensure the continued reliable service of these important systems.

The chlorination issue will be addressed by a thorough examination of the existing chlorination system to determine if there is adequate chlorine contact time. From the examination Keaton Development Company will obtain the required modifications to the existing flow process to ensure compliance with ADEQ chlorination requirements.

The electric issue will be handled through an evaluation of the existing electrical system. From the evaluation, Keaton Development Company will receive the required modifications to include the diesel electric generator and correct any existing deficiencies in the system.

For a more comprehensive list of the work that will be accomplished, Keaton Development Company has attached as Schedule 1, a complete list of the scope of work to be completed by Gannett Flemming, Inc.

- B. Indicate what has been completed to date with the planning, design and/or construction for the project.

To date, Keaton Development Company has purchased a diesel electrical generator, has worked through WIFA to obtain three quotes for the project and with the approval of WIFA has hired Gannett Flemming, Inc. as the engineers for the project. Gannett Flemming agreed to a Scope of Work prepared by WIFA for the completion of the project and provided a contract for the work to be completed.

C. Project Information:

Attach copies of available Project Engineering Information, such as:

- ☐ Plans and Specifications
- ☐ Project Engineering Reports
- ☐ Project Feasibility Studies

Keaton Development Company – DW 060-2003

☐ Other Technical Data, if related to the Project

☐ Capital Improvement Plan

The Scope of Work prepared by WIFA and agreed to by Gannett Flemming is attached.

3. Estimated Project Schedule

Task	Date
Planning, Design & Specifications Submitted	May 1, 2004
Approval to Construct	N/A
Advertisement for Bids	Completed
Construction Commencement	N/A
Construction Completion	N/A
Initiate Operation	N/A

4. Contractor Selection:

Have you selected a Contractor(s)? ☒ Yes ☐ No If "Yes," summarize the bidding process. If "No," on what date will the Contractors be selected?

William S. Scott, President of Keaton Development Company submitted a request to WIFA regarding this project. Layla Hadayat, of WIFA evaluated the ability of several companies that were interested in completing this project. Of the three approved by WIFA, Keaton Development Company chose the top ranked company, Gannett Flemming, Inc.

5. Licenses and Permits

List Local, State, and Federal Licenses and Permits required for the Proposed Project.

License/Permit Approvals	Date Expected	Date Approved
N/A		

6. Project Funding Sources & Uses

Uses by Budget Item	WIFA Funding	Local Funding	Other:	Total By Use
Planning				
Design & Engineering	\$35,000	\$40,000	\$0	\$75,000
Legal/Debt Authorization				
Financial Advisor				
Land/System Acquisition				
Equipment/Materials				
Construction/Installation/Improvement				
Inspection & Construction Management				
Project Officer				
Administration				
Staff Training				
Capitalized Interest				
Other				
Total by Source	\$35,000	\$40,00	\$0	
Total for Project			\$75,000	

Attached as Schedule 2 is the Task Cost Estimate for the project.

7. Project Costs Expended to Date: Keaton Development Company has spent \$2,547.83 for consultants and has purchased a diesel generator for \$24,000. For this project we will be seeking reimbursement for the consultant fees. We will not be seeking reimbursement for the costs of the generator, however once the construction project is approved, reimbursement may be requested.

8. Will you seek reimbursement for Project Costs Expended to Date? **X** Yes No
If "Yes," identify the costs and explain why WIFA should reimburse these costs.

The consultant fees are directly related to the study of the issues identified in this request.

9. Operation and Technical impact:

Will there be significant operating or technical impacts as the result of the proposed technology? ☐ Yes **X** No *Explain response below.*

There will not be an immediate operating or technical impact, due to the fact that this is an evaluation of problem areas of the overall water system. This project will, however, allow Keaton Development Company to obtain the necessary information needed to start the improvements and expansions to the system that will have a major impact on the quality, delivery, and reliability of the system to the consumer.

Exhibit A
Scope of Work
Keaton Development Company
Water Master Plan
September 18, 2003

I. Project Purpose

The purpose of this project is to:

1. Develop system map of the existing water system showing water main alignments, sizes and material; and valve locations.
2. Evaluate condition of existing third well and water tanks.
3. Develop a Master Plan for the system, including relocating existing water tank to the third well and providing a standby generator.

II. Project Scope

A. Basic Services

Based on the information available, the project will be performed as follows:

Task I - Develop System Map

1. Request system information including: well capacities, tank capacities, pump capacities, water use records, number of current and projected customers and type of customer (residential, commercial), water rights, water quality records, repair records, complaint records and other data as appropriate.
2. Prepare an Initial AutoCAD map of service area based on 12/96 map. Provide two copies to Owner for markup.
3. Show information provided by Owner on Preliminary AutoCAD map. Provide copy to the Owner. Review with the Owner at Development and address Owner's comments.
4. Prepare Preliminary Water Model of existing water system based on Preliminary AutoCAD map.
5. Based on Preliminary Water Model, identify water mains and valves requiring physical identification. Provide copy of Preliminary AutoCAD map to Owner with identified water mains and valves noted. Review with the Owner in Phoenix and address Owner's comments.
6. Develop methodology(s) for locating identified water mains and valves. Provide to Owner. Review with the Owner in Phoenix and address Owner's comments.
7. Request quotes for the work to locate the valves and water mains and provide to the Owner.
8. Assist Owner with evaluating quotes. Owner awards contract and proceeds to locate existing water mains. Gannett Fleming provides assistance during location activities as requested by the Owner (as Special Services).
9. Update Preliminary AutoCAD map based on information provided by Owner. Provide copy of Final AutoCAD map to Owner.

Exhibit A
Keston Development Company
Water Master Plan

Task 2 – Develop Water Master Plan

1. Develop projected water demands based on long range (20 year) growth projections provided by Owner.
2. Evaluate water production versus water demands.
3. Perform visual review of condition of existing water storage tanks (inside and outside as accessible) and provide summary of their condition, operation and control system.
4. Based on existing well information provided by Owner, provide summary of the condition of the wells, pumps and operation of control and alarm system.
5. Prepare Final Water Model of existing water system based on information from location of water mains and valves in Task I. Perform flow tests to validate water model.
6. Evaluate feasibility of relocating water tanks to Well No. 3.
7. Prepare conceptual design for installation of a backup diesel generator power system.
8. Comment on water rights versus water needs, present and future (20 year).
9. Evaluate existing water quality/sampling data for compliance with state criteria.
10. Prepare conceptual-level cost estimates for correcting identified system deficiencies and modifications.
11. Prepare and submit Draft Master Plan for review.
12. Meet with Owner at Development to receive comments on Draft Master Plan.
13. Address comments from Draft Master Plan review.
14. Prepare Final Master Plan and submit to Owner.

B. Special Services

1. Test pump well(s), CCTV well(s) or other investigations to determine well condition or capacity.
2. Perform water sampling or other tests.
3. Perform aerial photography, surveying or other mapping functions.
4. Detailed evaluation of power, controls, and alarm systems, condition of equipment requiring specific testing equipment, detailed electrical, controls, alarms or power system design, evaluation for conformance with code requirements.
5. Detailed evaluation of the hydrogeologic properties of the wells or aquifer.
6. Preparation of conceptual designs for water treatment, O&M Manuals and other items not specifically identified in the Basic Services.
7. Vulnerability assessment of water facilities to outsider, insider and cyber attacks.
8. Third party services.
9. Attending additional meetings or site visits.
10. Other services as mutually agreed upon in writing.

Exhibit A
Keaton Development Company
Water Master Plan

III. Information to be provided by Client

1. Provide 12/96 system map and other available system information including: water rights, well construction and operation information, well records, well capacities, tank capacities, pump capacities, water use records, number of current and projected customers and type of customer (residential, commercial), water rights, water quality records, historic water levels (static and pumping), repair records, complaint records, system operation sequencing, control methodology, alarms systems and other data as appropriate.
2. Mark up water system AutoCAD maps provided to show street type (paved, gravel, width), known valves, estimated water main alignment, known pipe sizes and materials, water service locations for each lot, existing water production, storage and pumping facilities, and problem areas.
3. Water meters for flow tests.
4. Access to facilities.
5. Response to inquiries.
6. Comments on documents.
7. Other as necessary.

IV. Deliverables

1. Initial, Preliminary and Final AutoCAD maps of system.
2. Methodology for locating prioritized water mains
3. Final Water Model
4. Draft Master Plan
5. Final Master Plan

V. Schedule

1. Deliver Initial AutoCAD map of the system within two weeks of receipt of system data.
2. Deliver Preliminary AutoCAD maps of the system within two weeks of receipt of markup from Initial AutoCAD map.
3. Deliver Preliminary AutoCAD map showing prioritized water main and valves within three weeks of completion of Preliminary AutoCAD map.
4. Provide methodology for locating prioritized water mains within two weeks of receipt of comments on the map in item 3.
5. Deliver Draft Master Plan with Draft Water Model within two weeks of receipt of data from locating prioritized water mains and valves.
6. Deliver Final AutoCAD map of the system within two weeks of receipt of information from the Owner.
7. Deliver Final Master Plan with Final Water Model and Final AutoCAD map within two weeks of receipt of comments on the Draft Master Plan.

End of Scope of Work

Section 1: Applicant Information

- 1.1 Name of Applicant:** Keaton Development Company
- 1.2 Mailing Address and/or Principal Place of Business:** 66798 HWY 60 / P. O. Box 905
Salome, AZ 85348
- 1.3 System Identification Number:** W-02169A

1.4 Designated Contact Person *(for all matters relating to the submission of this application)*

Name: William S. Scott Title: President
Telephone: (928) 859-3982 FAX: (928) 859-3984
Mailing Address: 66798 HWY 60 - P.O. Box 905, Salome, AZ 85348
E-Mail Address: keatonwater@tds.net

1.5 Authorized Representative *(individual authorized by applicant to execute assistance agreements)*

Name: William S. Scott Title: President
Telephone: (928) 859-3982 FAX: (928) 859-3984
Mailing Address: 66798 HWY 60 - P.O. Box 905, Salome, AZ 85348
E-Mail Address: keatonwater@tds.net

1.6 Officers of the Organization

Members Name	Title	Term of Position	Time in Position
William S. Scott	President	1/1 Year	
William S. Scott	Secretary/Treasurer	1/1 Year	

1.7 Professional Services

A. Project Engineer: Gannett Fleming, Inc. C/O Mr. Alan O'Brian
Mailing Address: 3001 E. Camelback Road, Suite 130, Phoenix, AZ 85016
E-Mail Address:
Website Address:
Telephone: (602) 553-8817 FAX: (602) 553-8816

B. Financial Advisor: Sebree Business Partners C/O Rod Sebree

Mailing Address: 4207 W. 13th St., Yuma, AZ 85364

E-Mail Address: sebreebp@aol.com

Website Address: N/A

Telephone: (928) 920-9009

FAX: (928) 343-1171

C. Legal Counsel: Weil & Weil, P.L.L.C. C/O John Weil

Mailing Address: 1600 S. 4th Ave. Suite C, Yuma, AZ 85364

E-Mail Address:

Website Address: N/A

Telephone: (928) 783-2161

FAX: (928) 783-6082

D. Legal Counsel: Law Office of John C. Churchill C/O John Churchill

Mailing Address: 1300 Joshua Ave. Suite B, Parker, AZ 85344

E-Mail Address: jchrurchil@rivcom.net

Website Address: N/A

Telephone: (928) 669-6195

FAX: (928) 669-5376

**ARIZONA CORPORATION COMMISSION
FINANCING APPLICATION
KEATON DEVELOPMENT COMPANY**

- 1. The applicant's exact name and address of principle business office.***
- 2. Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.***

Attached, as Schedule 1, is the Applicant Information section of the Water Infrastructure Finance Authority of Arizona (WIFA) Project Finance Application. This section provides not only the information requested, but also additional information regarding authorized representatives, a list of the officers of the Keaton Development Company and a list of the professionals used by the company.

- 3. A full description of the financing (debt or equity) proposed to be issued showing the kind, nature and amount, the interest or dividend rate if any and its frequency, date of maturity, call features, voting privileges, and other detailed information regarding the financing itself. An explanation of whether the assets of the company will be encumbered by the financing (e.g. bank loan that is secured by company assets). If the financing is debt then provide a schedule of interest and principle payments. If the financing is a line of credit then provide a schedule of expected drawdowns. Provide a description of the proposed method of issuing and selling the financing, including any special distributions rights to existing holders of the company's security.***

This request is for new debt. The debt will take the form of a loan from the WIFA. The loan will be for \$40,000, with a 20 year term and an interest rate of no more than 5.5%. We anticipate the loan to be secured by any and all real property owned by Keaton Development Company. The principle and interest payments on the loan will be 240 equal payments of \$275.17. An amortization schedule can be provided upon request.

- 4. A statement showing the expected gross proceeds, issuance expenses and net proceeds from the issuance and sale.***

This is not an issuance, however the proceeds of the loan will be \$40,000 and will be funded as the work on the project is completed. We expect a fee of ½% or \$200.00

- 5. A complete description of the uses of the net proceeds of plant, property, or other assets to be acquired. Provide any capital budget that supports the use of proceeds.***

Attached as Schedule 2 is the Project Data Addendum from the WIFA Project Finance Application. This addendum will provide the reason for the project, a description of the project itself, the project schedule and the project funding sources and uses. For this project, there are no capital expenditures and therefore no capital expenditure budget.

6. A statement that demonstrates why the financing is,

a. within the corporate powers of the applicant:

Attached in Schedule 3 are the Articles of Incorporation for Keaton Development Company the Certificate of Good Standing, and the Articles of Incorporation and several amendments. These documents show that Keaton Development Company is a legal corporate entity and that William S. Scott in his current capacity as President of Keaton Development has the authority to obtain loans on behalf of Keaton Development Company.

b. compatible with the public interest;

As you read the purpose, in Schedule 3, of the project, you will see that there are several major issues regarding the proper chlorination and consistency of delivery in the water system owned by Keaton Development Company. The loan for the proposed study is the best way to determine how Keaton Development Company can address these issues with the maximum amount of results for the minimum amount of increase in water rates. If these issues are not resolved then, with the anticipated growth in the next two to three years the individuals and businesses served by this system will be adversely impacted, therefore from a quality, capacity and consistency standpoint, it would be a great benefit to the customers of this system to find a solution to the problems that currently exist.

c. compatible with sound financial practices;

Attached in Schedule 4, you will find a schedule of historical operating results for the last 12 months as well as the supporting financial statements. In Schedule 5 you will find projections for fiscal year 2004 through 2010 and the assumptions the projections are based on. When you review the projections you can see that the operations of the company are adequate to meet the additional loan payments. In Schedule 6, we have attached the balance sheet as of 02/29/04 as well as a summary of the balance sheet, the accounting for the \$40,000 loan and the impact on the balance sheet if the loan would have been funded on 02/29/04. As you will see in Schedule 6, the impact on the balance sheet is negligible.

In every aspect, the impact of this loan is minor on the operations of the company, however the potential long term benefits from this study are very important to the water system and the customers it serves.

d. compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.

This loan is specifically for a study that will provide the necessary information to allow Keaton Development Company to provide the proper service that the customers deserve from a public service corporation. The study will enhance the ability to provide better

service by identifying solutions to major issues that were in the water system prior to ownership change, one year ago. On the other hand, if this request for the approval of debt were denied, the company would be greatly impaired in its ability to correct the issues related to this water system.

7. The name and address of any person receiving, or entitled to, a fee for service in connection with the issuance or sale of the financing and a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.

We have hired a consultant to help us with several issues related to Keaton Development Company. The company is Sebree Business Partners and is located at 4207 W. 13th St. Yuma, AZ 85364. The owner is Roderick J. Sebree. He has worked with us on the loan application to WIFA and this request for approval by the Arizona Corporation Commission. As part of this process the company the consultant has also helped with future budgetary issue. The anticipated fee for this work will be between \$2,500 and \$3,000.

8. Provide a copy of any documents to be executed in the matter.

The loan documents from WIFA have not been completed. One of the issues with WIFA is whether the approval to obtain this loan is obtained by the Arizona Corporation Commission. This is a key issue since without the approval the loan would have to be paid back in one year instead of twenty. As you can see in Schedule 3, this would not be financially feasible. If required, WIFA may provide you a copy of blank documents that may used for this loan.

9. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction. Provide any other statements (such as pro forma statement from prior periods) that would demonstrate that the security issuance and sale is consistent with sound financial practices.

Keaton Development Company has provided in Schedule 6 the balance sheet at 02/29/04, the changes that would occur if the loan were funded and a balance sheet as of 02/29/04 if the loan had been funded. As discussed above, the impact on the balance sheet is minimal.

10. The Commission requires the Company to notice customers of the financing application. Attached is a copy of the notice to be used. Fill in the notice's blanks and either insert, a copy of the notice as it appeared in the newspaper or the receipt from the newspaper showing the date the notice is to be published.

Attached, in Schedule 7, is the copy of the notice and the verification of publication.

11. Submit the original and sixteen (16) copies of the application and supporting documents to the following:

The original and 16 copies are being hand delivered to the Arizona Corporation Commission at 1200 W. Washington Street, Room 130, Phoenix, AZ 85007-2927.

A-2
HEARING

Keaton Development Company, Inc.

P.O. Box 905 66798 Hwy 60

Salome, AZ 85348

Phone 928-859-3982 Fax 928-859-3984

RECEIVED

2004 DEC 30 P 3:52

04 November 2004

AZ CORP COMMISSION
Arizona Corporation Commission
Docket Control/Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

RECEIVED

NOV 8 2004

ARIZONA CORPORATION COMMISSION
HEARING DIVISION

Re: Docket No. W-02169A-04-0363
Staff Report For Keaton Development Company Application For Financing Authorization
Response to Recommendation

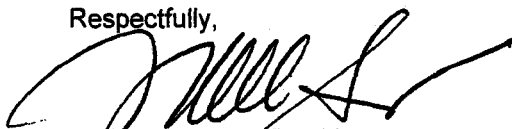
Keaton Development Company takes exception to the Financial Section Analysis of our application for financing authorization.

As stated in the original application, Keaton Development Company, shortly after purchase, was forced into a Chapter 11 Bankruptcy when it was determined that both the developer and Keaton Development Company, under the prior owner, were not performing under their contract and that in fact there were several questions as to the legitimacy of the contract itself. The original numbers supplied in the package to the Arizona Corporation Commission did reflect what was presented in the staff report. The problem is that Mr. Johnson was informed that the Plan of Reorganization was approved and that as a result the liability on the contract in question was reduced by the court to what the new owner of Keaton Development Company felt was fair and equitable. Additionally, Mr. Johnson used the 12 months results in determining a debt service ratio. Mr. Johnson, although informed, did not take into consideration the additional costs of the bankruptcy. These items were discussed with Mr. Johnson and to support our claims, a package, that is attached, was provided Mr. Johnson. The package included the information on the Chapter 11 Bankruptcy and the changes that occurred to the balance sheet as a result of the approval of the Plan of Reorganization. The plan also included the projections and assumptions that originally went with the package but somehow were misplaced. If you will review this package you will see that the company has a net worth, as of 30 June 2004, of \$119,118.91 on total assets of \$297,276.18 or an owner's equity of 40%. As you will also see, the projections show that in fact the company would have a debt coverage of 1.70x.

Based on the conversations with Mr. Johnson, we believe he chose not to use this information based on a banking background and the prejudice he developed toward any company that has filed any type of bankruptcy. While normally we would share this feeling, in this case, he has failed to see that without the change of ownership and the accompanying Chapter 11 Bankruptcy, many of the merchants would have suffered financial losses and the water users serviced by this company may have suffered a serious disruption in service as the prior owner would have had to file Chapter 7 Bankruptcy with no recourse on the contractor due to issues best left to attorneys.

In conclusion, Keaton Development Company requests that we be allowed remedies and redress that are legally available to us to respond to Staff's negative recommendations.

Respectfully,

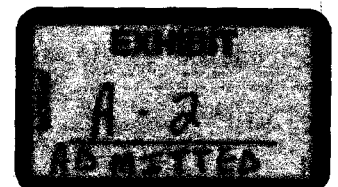


William S. Scott, President
Keaton Development Company, Inc.

NOV 8 2004
AZ CORP COMMISSION
DOCUMENT CONTROL

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SEBREE BUSINESS PARTNERS

3407 W. 27th Lane Yuma, AZ 85364

Office (928) 343-1171 - Cellular (928) 503-3365

Fax (928) 343-1171 - E-mail sebreebp@aol.com

August 23, 2004

Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
Attn: Mr. Jim Johnson

Dear Mr. Johnson:

This letter is following up our conversation last week regarding Keaton Development, Inc. (Keaton). In that conversation you discussed your concerns with Keaton's negative equity position and the lack of debt coverage.

The original balance sheet that was sent with the package to the Arizona Corporation Commission did not reflect the impact that the approval of the Chapter 11 Bankruptcy Plan had on the company's financial condition. In the original package there is a discussion of the reasons for the bankruptcy and therefore we will not go over that again. On the other hand, the impact of the bankruptcy on the financial condition of the company is significant. Attached, in Schedule 1, you will find a copy of the approved Chapter 11 Bankruptcy Plan of Reorganization (Plan) for Keaton. Attached in Schedule 2 you will find a summary of the balance sheet as of June 30, 2004 as well as the full balance sheet. The balance sheet reflects the impact of the Plan. As you will see, Keaton actually has a positive equity position of \$119,118.91 and an owner's equity after the new loan of 35%. I believe, based on our conversation, that the dollars and the equity ratio meet your requirements.

I think that in our discussion on the debt coverage we were not looking at the same items. In any case, as we discussed, we would provide you with a projection of the income and expenses for the remainder of 2004 and for the year 2005 along with line by line assumption information. Attached in Schedule 3 are the assumptions and projections for August 1, 2004 through December 31, 2004. Attached in Schedule 4 are the assumptions and projections for January 1, 2005 through December 31, 2005. I believe the assumptions are either backed up by specific agreements or contracts, or solid historical information. When in doubt we have taken a conservative approach. Based on the projections, if the first payment on the new requested loan would have begun on August 1, 2004 (using the real estate method vs. commercial method of debt service requirement calculation) then the company would have had a debt coverage ratio for all debt of 2.37x (\$14,493.96 debt service capacity and \$6,111.10 debt service requirement). For the projected year of January 1, 2005 to December 31, 2005, with the payments under the Plan;

starting debt coverage declined to 1.70x (\$46,095.44 in debt service capacity and \$27,069.84 in debt service requirement), however this is still well above the 1.25 debt coverage we discussed on the phone.

Thank you in advance for reviewing this package and I look forward to discussing any questions or issues you may have. It is easiest to reach me at (928) 503-3365.

Sincerely,



Rod Sebree

KEATON DEVELOPMENT, INC.

SCHEDULE 4

ASSUMPTIONS FOR JANUARY 1, 2005 TO DECEMBER 31, 2005 PROJECTIONS OF INCOME AND EXPENSES

Water income is based on the current billings. Water income from new hookups is based on the fact that three new developments in the area (Indian Hill Airport addition, Desert Palms Resort and the KRC Development expansion) will provide an additional 382 hookups. We used an absorption period of 15 years (currently there are 50 reservations for the Desert Palms Resort alone), which provides 25 new hookups per year for the projection period. Each hookup, based on current rates, will provide an additional \$38 per month.

Sales Tax collections are based on the current sales tax rate of 6.0%.

Legal Fees are placed as zero for the period being projected. The company made a \$15,000 deposit when it filed Chapter 11. The plan is filed and approved and there is still in excess of \$3,000 in the account. The next legal action will not be until first quarter of this projection period. At that time the Keaton Development, Inc. (Keaton) will file for the Final Decree. The \$3,000 is more than adequate to cover that cost. No other nonbankruptcy actions are anticipated, however, \$50 a month has been budgeted for any minor questions or actions.

Contracted Professionals expense is placed at zero as there is no anticipated need in the next year that is not covered by the subject W.I.F.A. grant and loan.

Rent Auto & Equipment expenses based on the costs from 2003 and year to date as a percentage of sales. Although there are no plans for the rental of either auto or equipment, the sake of conservatism, the projected amount is being budgeted.

Meter Reading expense is based on the agreements currently in place plus \$2.00 for per new hook up.

Contracted Maintenance expense is based on 2003 and year to date results as a percentage of sales.

Payroll expense is based on current wages of the existing office staff. There are no salary increases planned for the projection period.

Officer Salary expense is based on the current amount of \$1,500 that is being paid to the owner. This is within the Bankruptcy Plan and can be forfeited to support operations by the owner if needed.

Utilities (Electric) expense is based on 2003 and year to date usage.

Utilities (Water) expense is based on current water rates.

Chemicals expense is based on 2003 and year to date usage as a percentage of sales.

Materials & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Office & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Annual Sampling Fee expense is based on the existing agreement for date and cost.

Rent Office & Yard expense is based on the current rental agreement that covers the projected period.

Transportation expense is based on 2003 and year to date results as a percentage of sales.

Insurance expense is based on current policies and payment structure. The insurance agent does not expect an increase in the next policy period.

Regulatory Commission expense is for water testing. This is based on 2003 and year to date expenses.

Miscellaneous expense is based on the 2003 and year to date results as a percentage of sales.

Property Tax expense is based on the latest assessment. An increase is not expected as they just had a new assessment completed in late 2002.

Sales Tax expense is based on 6.0% of Water income.

Interest expense is included in total debt service requirements identified below.

Bad Debt expense is based on the budget amount of \$1,000 per year. Based on the current aging and listing the budgeted amount is more than ample cover any existing problem accounts.

Trustee Fee expense is based on the requirements to pay a quarterly fee to the Bankruptcy Trustee as long as you are still under the plan and a Final Decree has not been issued. The Final Decree will be issued in March. The last Trustee Fee will be expended on February of 2005 and will cover the period up to the Final Decree.

W.I.F.A. payments are based on current terms and conditions.

La Paz County payments on old property taxes are based on the Bankruptcy Plan. Per the plan, payments will be made over a six-year period starting on January 3, 2005.

Unsecured debt repayment is based on the Bankruptcy Plan. Under the plan, Keaton will pay \$80,000 over six years, beginning January 3, 2005.

New W.I.F.A. loan payments are based on a \$40,000 loan with a 20-year amortization and 6% interest.

2:58 PM

11/03/04

Accrual Basis

Keaton Development Company

Balance Sheet

As of June 30, 2004

	Jun 30, 04
ASSETS	
Current Assets	
Checking/Savings	
131 Cash Accounts	
NBA-DIP-General	12,384.92
NBA-DIP-Payroll	1,977.93
NBA-DIP-Taxes	410.78
NBA LaPaz Taxes	3,460.61
Petty Cash	525.63
Total 131 Cash Accounts	18,759.87
Total Checking/Savings	18,759.87
Accounts Receivable	
141 Customer Accounts Receivable	9,437.34
Total Accounts Receivable	9,437.34
Total Current Assets	28,197.21
Fixed Assets	
101 Utility Plant in Service	
301 Organization	1,250.00
303 Land	8,200.00
304 Structures and improvements	
Utility plant not KRC	965.00
304 Structures and improvements - Other	13,070.80
Total 304 Structures and improvements	14,035.80
307 Wells & Springs	55,911.00
310 Power Generation Equipment	11,500.00
311 Pumping Equipment	
krc/booster pump	6,659.42
311 Pumping Equipment - Other	72,562.00
Total 311 Pumping Equipment	79,221.42
330 Distributed Res/Standpipes	
330.1 Storage tanks	28,558.00
330.2 Pressure tanks	16,544.00
Total 330 Distributed Res/Standpipes	45,102.00
331 Contributed Mains	
Transmission/distribution	614.00
Utility Plant - KRC	210,000.00
Total 331 Contributed Mains	210,614.00
333 Services	57,073.00
334 Meters & Pressure Pumps	6,032.76
335 Hydrants	26,856.00
340 Office Equipment	2,884.44
341 Transportation Equipment	12,900.00
343 Tools Shop/Garage Equipment	1,304.00
Total 101 Utility Plant in Service	532,884.42
108 Accum.Deprec-Util.Plant	
301 Organ 25 yrs/4.0	-1,250.00
304 Structures-30yrs/3.33	-1,682.09
307 Wells/springs-30 yrs/3.33	-30,417.95
311 Pumping-8 yrs/12.5	-61,448.68
330 Distributed Res	
330.1 Storage tnks-45 yrs/2.22	-8,572.47
330.2 Pressure tnks-20 yrs/5.0	-15,484.20
Total 330 Distributed Res	-24,056.67
331 Trans/distr-50 yrs/2.0	-117,237.28
333 services - 30yrs/3.33	-17,873.53
334 meters -12 yrs/8.33	-4,785.53

2:58 PM
11/03/04
Accrual Basis

Keaton Development Company

Balance Sheet

As of June 30, 2004

	Jun 30, 04
335 Hydrants - 50 yrs/2.0	-4,032.12
340 office equ- 5 yrs/20.0	-2,258.00
341 Trans Equip - 5 yrs/20	-1,380.00
343 Tools - 20 yrs/5.0	-1,304.00
Total 108 Accum.Deprec-Util.Plant	-267,725.85
Total Fixed Assets	265,158.57
Other Assets	
132 Special Deposits	
WIFA - Reserve Deposit Account	3,920.40
Total 132 Special Deposits	3,920.40
Total Other Assets	3,920.40
TOTAL ASSETS	297,276.18
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231 Accounts Payable	19,735.23
Total Accounts Payable	19,735.23
Other Current Liabilities	
235 Customer Deposits	-1.37
241 Othr Current Liabilities	
Payroll Liabilities	
Federal Withholding	527.11
FICA	
Company	541.40
Employee	541.50
Total FICA	1,082.90
FUTA	277.79
Medicare	
Company	126.65
Employee	126.65
Total Medicare	253.30
State Withholding	104.26
SUI	89.76
Total Payroll Liabilities	2,335.12
Sales Tax Adj	6.30
Sales Tax Payable	747.88
Short Term Loan	7,000.00
Total 241 Othr Current Liabilities	10,089.30
Total Other Current Liabilities	10,087.93
Total Current Liabilities	29,823.16
Long Term Liabilities	
234 Long Term Debt	
LaPaz County Property Tax	26,285.66
Note Payble-WIFA	42,113.66
Notes Payable Chapter 11	80,000.00
Total 234 Long Term Debt	148,399.32
252 Advance in Aid of Const.	
KRC Line Extension	221,732.04
Meter Fees	25,073.50
252 Advance in Aid of Const. - Other	-246,805.54
Total 252 Advance in Aid of Const.	0.00

2:58 PM
11/03/04
Accrual Basis

Keaton Development Company
Balance Sheet
As of June 30, 2004

	Jun 30, 04
Total Long Term Liabilities	148,399.32
Total Liabilities	178,222.48
Equity	
201 Common Stock	50,000.00
211 Paid in Capital	
New Value Contribution	25,000.00
WSS	4,100.00
211 Paid in Capital - Other	21,088.31
Total 211 Paid in Capital	50,188.31
215 Retained Earnings	-237,509.17
Net Income	256,374.56
Total Equity	119,053.70
TOTAL LIABILITIES & EQUITY	297,276.18

KEATON DEVELOPMENT, INC

INCOME AND EXPENSE PROJECTIONS FOR AUGUST 1, 2004 THROUGH DECEMBER 31, 2004

PAGE ONE OF TWO

	AUGUST	SEPTEMBER	OCTOBER	NOV	DECEMBER	6 MONTH TOTAL
RECEIPTS	\$	\$	\$	\$	\$	
WATER INCOME	\$12,400.00	\$12,400.00	\$12,400.00	\$12,400.00	\$12,400.00	\$73,200.00
SALES TAX CHARGED	\$744.00	\$744.00	\$744.00	\$744.00	\$744.00	\$4,464.00
TOTAL CASH RECEIPTS	\$13,144.00	\$13,144.00	\$13,144.00	\$13,144.00	\$13,144.00	\$77,664.00
EXPENSES						
LEGAL FEES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CONTRACTED - PROFESSIONALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CONTRACTED TESTING	\$106.76	\$106.76	\$106.76	\$106.76	\$106.76	\$640.28
RENT - AUTO & EQUIPMENT	\$261.52	\$261.52	\$261.52	\$261.52	\$261.52	\$1,569.04
METER READING	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$1,800.00
CONTRACTED MAINTENANCE	\$311.81	\$311.81	\$311.81	\$311.81	\$311.81	\$1,870.86
PAIDROLL EXPENSE	\$1,650.00	\$1,650.00	\$1,650.00	\$1,650.00	\$1,650.00	\$9,900.00
OFFICER SALARY	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$9,000.00
UTILITIES - ELECTRIC	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$6,000.00
UTILITIES - WATER	\$8.60	\$8.60	\$8.60	\$8.60	\$8.60	\$51.56
CHEMICALS	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$240.00
MATERIALS & SUPPLIES	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$4,200.00
OFFICE & SUPPLIES EXPENSE	\$638.50	\$638.50	\$638.50	\$638.50	\$638.50	\$3,831.00
ANNUAL SAMPLING FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RENT OFFICE & YARD	\$325.00	\$325.00	\$325.00	\$325.00	\$325.00	\$1,950.00
TRANSPORTATION EXPENSE	\$182.50	\$182.50	\$182.50	\$182.50	\$182.50	\$1,095.00
INSURANCE EXPENSE	\$4,200.00	\$4,200.00	\$4,200.00	\$4,200.00	\$4,200.00	\$25,200.00
REGULATORY COMMISSION EXP.	\$220.00	\$220.00	\$220.00	\$220.00	\$220.00	\$1,320.00
LABORATORY EXPENSE	\$160.00	\$160.00	\$160.00	\$160.00	\$160.00	\$960.00
PROPERTY TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

KEATON DEVELOPMENT, INC

INCOME AND EXPENSE PROJECTIONS FOR AUGUST 1, 2004 THROUGH DECEMBER 31, 2004

PAGE TWO OF TWO

	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	8 MONTH TOTAL
	\$	\$	\$	\$	\$	\$
	%	%	%	%	%	%
SALES TAX CHARGED	\$744.00	\$744.00	\$768.00	\$768.00	\$768.00	\$3,762.00
INTEREST EXPENSE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DEPRECIATION EXPENSE	\$1,968.40	\$1,968.40	\$1,968.40	\$1,968.40	\$1,968.40	\$8,832.00
BAD DEBT EXPENSE	\$85.00	\$85.00	\$85.00	\$85.00	\$85.00	\$425.00
TOTAL EXPENSES	\$14,838.81	\$14,228.48	\$14,473.83	\$14,795.02	\$10,273.29	\$63,330.03
OPERATING INCOME	\$1,484.88	\$1,296.02	\$2,284.87	\$1,128.02	\$3,284.87	\$4,881.06
TRUSTEE FEE	\$0.00	\$1,250.00	\$0.00	\$0.00	\$1,250.00	\$0.00
UNRECOVERED	\$200.83	\$200.83	\$200.83	\$200.83	\$200.83	\$1,453.16
LOAN PAYMENT	\$72.80	\$72.80	\$72.80	\$72.80	\$72.80	\$302.50
PLACEMENT RESERVE FUND	\$72.80	\$72.80	\$72.80	\$72.80	\$72.80	\$302.50
DEBT RESERVE FUND	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
LA FINE COUNTY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UNRECOVERED	\$200.83	\$200.83	\$200.83	\$200.83	\$200.83	\$1,453.16
NEW/REPA LOAN (SUBJECT OF REQUEST)	\$72.22	\$1,872.22	\$72.22	\$72.22	\$1,872.22	\$3,111.10
TOTAL LOAN AND BK PAYMENTS	\$72.22	\$1,872.22	\$72.22	\$72.22	\$1,872.22	\$3,111.10
DEBT SERVICE CAPACITY						\$4,881.06
OPERATING INCOME	\$1,484.88	\$1,005.02	\$2,084.87	\$1,128.02	\$3,284.87	\$9,032.00
DEPRECIATION	\$1,968.40	\$1,968.40	\$1,968.40	\$1,968.40	\$1,968.40	\$8,832.00
CASH TO MEET DEBT SERVICE	\$471.42	\$3,871.42	\$4,061.37	\$828.28	\$1,872.22	\$14,883.80
DEBT SERVICE REQUIREMENT	\$722.22	\$1,972.22	\$722.22	\$722.22	\$1,872.22	\$8,111.10
DEBT COVERAGE	0.65	1.98	5.62	1.16	2.67	2.37

KEATON DEVELOPMENT, INC

INCOME AND EXPENSE PROJECTIONS FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

PAGE ONE OF FOUR

	JANUARY		FEBRUARY		MARCH		APRIL		MAY		JUNE		6 MONTH TOTAL	
RECEIPTS	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
WATER INCOME	\$12,800.00	83.78%	\$12,800.00	83.18%	\$12,800.00	82.82%	\$12,800.00	82.08%	\$12,800.00	81.42%	\$12,800.00	80.20%	\$76,000.00	82.32%
INCOME FROM NEW HOOK UPS	\$78.17	0.08%	\$168.34	1.10%	\$257.51	1.72%	\$316.68	2.20%	\$396.86	2.82%	\$476.02	3.40%	\$1,662.67	2.02%
TOTAL WATER INCOME	\$12,878.17	84.34%	\$12,968.34	84.34%	\$13,057.51	84.34%	\$13,116.68	84.34%	\$13,196.86	84.34%	\$13,276.02	83.60%	\$77,662.67	84.34%
SALES TAX CHANGED	\$772.76	6.86%	\$777.80	5.66%	\$782.25	6.58%	\$787.00	5.80%	\$791.75	5.80%	\$772.80	6.42%	\$4,086.76	6.40%
TOTAL CASH RECEIPTS	\$13,650.93	100.00%	\$13,746.14	100.00%	\$13,839.76	100.00%	\$13,903.68	100.00%	\$13,988.61	100.00%	\$13,947.82	99.87%	\$82,322.82	100.00%
EXPENSES														
LEGAL FEES	\$30.00	0.37%	\$30.00	0.30%	\$30.00	0.30%	\$30.00	0.30%	\$30.00	0.37%	\$30.00	0.38%	\$30.00	0.38%
CONTRACTED PROFESSIONALS	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
CONTRACTED TESTING	\$106.57	0.77%	\$106.57	0.77%	\$106.57	0.78%	\$106.57	0.78%	\$106.57	0.78%	\$106.57	0.77%	\$633.42	0.77%
RENT - AUTO & EQUIPMENT	\$281.23	2.00%	\$282.08	2.00%	\$284.09	2.00%	\$286.43	2.00%	\$278.41	2.00%	\$281.14	2.00%	\$1,695.34	2.05%
METER READING	\$302.00	2.21%	\$304.00	2.21%	\$306.00	2.21%	\$308.00	2.22%	\$310.00	2.20%	\$312.00	2.27%	\$1,842.00	2.24%
CONTRACTED MAINTENANCE	\$323.66	2.37%	\$326.64	2.37%	\$327.53	2.37%	\$328.82	2.37%	\$321.48	2.37%	\$323.44	2.37%	\$1,961.04	2.37%
PAYROLL EXPENSE	\$1,690.00	12.00%	\$1,690.00	12.01%	\$1,690.00	11.94%	\$1,690.00	11.87%	\$1,690.00	12.10%	\$1,690.00	12.00%	\$10,000.00	12.00%
OPERATOR SALARY	\$1,690.00	10.89%	\$1,690.00	10.82%	\$1,690.00	10.88%	\$1,690.00	10.78%	\$1,690.00	11.00%	\$1,690.00	10.91%	\$10,000.00	10.91%
UTILITIES - WATER	\$80.00	0.60%	\$80.00	0.60%	\$80.00	0.60%	\$80.00	0.60%	\$80.00	0.60%	\$80.00	0.60%	\$80.00	0.60%
UTILITIES - ELECTRIC	\$40.86	0.30%	\$41.21	0.30%	\$41.46	0.30%	\$41.71	0.30%	\$40.86	0.30%	\$40.94	0.30%	\$246.97	0.30%
MATERIAL & SUPPLIES	\$712.53	5.22%	\$717.01	5.22%	\$721.58	5.22%	\$725.17	5.22%	\$728.02	5.22%	\$732.40	5.22%	\$4,397.23	5.22%
OFFICE & SUPPLIES EXPENSE	\$994.81	6.20%	\$999.86	6.26%	\$995.12	6.26%	\$979.37	6.26%	\$948.08	6.26%	\$964.33	6.26%	\$6,153.38	6.20%
ANNUAL SAMPLING FEE	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
RENT OFFICE & YARD	\$325.00	2.35%	\$325.00	2.37%	\$325.00	2.35%	\$325.00	2.34%	\$325.00	2.40%	\$325.00	2.38%	\$1,950.00	2.37%
TRANSPORTATION EXPENSE	\$188.81	1.36%	\$187.96	1.36%	\$187.96	1.36%	\$188.00	1.36%	\$184.45	1.36%	\$186.81	1.36%	\$1,118.08	1.36%
INSURANCE EXPENSE	\$0.00	0.00%	\$4,200.00	30.49%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$4,200.00	5.10%
REGULATORY COMMISSION EXP.	\$120.00	1.81%	\$220.00	1.60%	\$220.00	1.56%	\$220.00	1.56%	\$220.00	1.62%	\$220.00	1.60%	\$1,300.00	1.60%
MISCELLANEOUS EXPENSE	\$182.84	1.34%	\$184.06	1.34%	\$185.18	1.34%	\$186.31	1.34%	\$181.75	1.34%	\$182.86	1.34%	\$1,103.12	1.34%

INCOME AND EXPENSE PROJECTIONS FOR JANUARY 1, 2009 THROUGH 2011

PAGE TWO OF FOUR

PAGE TWO OF FOUR														6 MONTH TOTAL	
	JANUARY		FEBRUARY		MARCH		APRIL		MAY		JUNE				
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
PROPERTY TAX	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$4,492.00	21.88%	\$0.00	0.00%	\$0.00	0.00%	\$4,492.00	5.38%	
SALES TAX	\$772.75	6.65%	\$777.50	5.98%	\$782.35	6.68%	\$787.00	6.69%	\$791.75	6.69%	\$772.80	6.62%	\$4,538.75	5.69%	
INTEREST EXPENSE	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	
DEPRECIATION EXPENSE	\$1,988.40	14.40%	\$1,988.40	14.32%	\$1,988.40	14.33%	\$1,988.40	14.14%	\$1,988.40	14.60%	\$1,988.40	14.30%	\$11,788.40	14.33%	
ROAD DEPT EXPENSE	\$85.00	0.62%	\$85.00	0.62%	\$85.00	0.62%	\$85.00	0.61%	\$85.00	0.63%	\$85.00	0.62%	\$510.00	0.62%	
TOTAL EXPENSES	\$90,387.18	76.64%	\$14,888.72	10.25%	\$19,412.34	78.34%	\$14,987.35	187.66%	\$18,483.40	77.87%	\$10,478.82	78.30%	\$88,704.15	86.87%	
OPERATING INCOME	\$1,384.82	24.08%	\$387.68	-8.22%	\$3,487.42	24.68%	\$1,084.37	-7.68%	\$3,118.28	22.67%	\$3,171.81	22.87%	\$7,884.08	17.78%	
TRUSTEE FEE	\$0.00	0.00%	\$1,250.00	8.10%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	
WHA EIGHTING															
LOAN PAYMENT	\$280.63	2.13%	\$280.63	2.12%	\$280.63	2.10%	\$280.63	2.09%	\$280.63	2.14%	\$280.63	2.11%	\$1,743.78	2.12%	
PLACEMENT RESERVE FUND	\$72.50	0.53%	\$72.50	0.53%	\$72.50	0.52%	\$72.50	0.52%	\$72.50	0.53%	\$72.50	0.53%	\$455.00	0.53%	
DEBT RESERVE FUND	\$27.50	0.20%	\$72.50	0.53%	\$72.50	0.52%	\$72.50	0.52%	\$72.50	0.53%	\$72.50	0.53%	\$455.00	0.53%	
UA MAZ COUNTY	\$422.48	3.02%	\$422.48	3.05%	\$422.48	3.05%	\$422.48	3.04%	\$422.48	3.11%	\$422.48	3.07%	\$2,594.96	3.06%	
UNRESERVED	\$1,111.11	8.14%	\$1,111.11	8.09%	\$1,111.11	8.04%	\$1,111.11	7.99%	\$1,111.11	8.10%	\$1,111.11	8.08%	\$5,688.88	8.10%	
NEW WPA LOAN (SUBJECT OF REQ.)	\$288.88	2.10%	\$288.88	2.10%	\$288.88	2.10%	\$288.88	2.10%	\$288.88	2.10%	\$288.88	2.10%	\$1,718.56	12.60%	
TOTAL LOAN AND BK PAYMENTS	\$4,285.82	48.63%	\$3,486.82	24.63%	\$3,285.82	18.33%	\$2,585.82	16.31%	\$2,085.82	14.63%	\$3,286.82	18.41%	\$13,934.82	18.44%	

KEATON DEVELOPMENT, INC

INCOME AND EXPENSE PROJECTIONS FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

PAGE THREE OF FOUR

	JULY		AUGUST		SEPTEMBER		OCTOBER		NOVEMBER		DECEMBER		12 MONTH TOTAL	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
WATER INCOME	\$12,400.00	60.30%	\$12,400.00	60.70%	\$12,400.00	60.21%	\$12,600.00	60.84%	\$12,600.00	60.37%	\$12,600.00	60.82%	\$121,600.00	60.86%
INCOME FROM NEW HOOK UPS	\$264.18	4.04%	\$263.38	4.06%	\$272.53	6.13%	\$291.70	5.60%	\$270.87	6.01%	\$290.04	6.02%	\$2,176.26	3.08%
TOTAL WATER INCOME	\$12,664.18	64.34%	\$12,663.38	64.76%	\$12,672.53	64.34%	\$12,891.70	64.34%	\$12,870.87	64.38%	\$12,890.04	64.34%	\$123,776.26	64.34%
SALES TAX CHARGED	\$777.26	5.86%	\$782.00	5.86%	\$786.75	5.86%	\$816.60	5.86%	\$820.25	5.86%	\$825.00	5.86%	\$8,406.32	5.08%
TOTAL CASH RECEIPTS	\$13,441.44	100.00%	\$13,816.36	100.00%	\$13,899.25	100.00%	\$14,407.29	100.00%	\$14,491.12	100.00%	\$14,715.04	100.00%	\$137,291.70	100.00%
EXPENSES														
LEGAL FEES	\$50.00	0.36%	\$50.00	0.36%	\$50.00	0.36%	\$50.00	0.36%	\$50.00	0.36%	\$50.00	0.36%	\$500.00	0.36%
CONTRACTED PROFESSIONALS	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
CONTRACTED TESTING	\$105.67	0.77%	\$105.67	0.76%	\$105.67	0.76%	\$105.67	0.73%	\$105.67	0.73%	\$105.67	0.72%	\$1,268.64	0.76%
RENT - AUTO & EQUIPMENT	\$202.87	2.00%	\$204.60	2.00%	\$206.33	2.00%	\$208.79	2.00%	\$208.82	2.00%	\$209.26	2.00%	\$2,446.16	2.00%
METER READING	\$316.00	2.89%	\$316.00	2.28%	\$316.00	2.28%	\$316.00	2.22%	\$316.00	2.22%	\$316.00	2.22%	\$3,792.00	2.22%
CONTRACTED MAINTENANCE	\$321.44	2.37%	\$327.42	2.37%	\$328.41	2.37%	\$341.46	2.37%	\$343.44	2.37%	\$346.43	2.37%	\$4,181.53	2.37%
PAYROLL EXPENSE	\$1,650.00	12.02%	\$1,650.00	11.94%	\$1,650.00	11.87%	\$1,650.00	11.40%	\$1,650.00	11.39%	\$1,650.00	11.39%	\$18,000.00	10.70%
OFFICER SALARY	\$1,500.00	10.82%	\$1,500.00	10.85%	\$1,500.00	10.70%	\$1,500.00	10.41%	\$1,500.00	10.40%	\$1,500.00	10.39%	\$16,000.00	9.49%
UTILITIES - ELECTRIC	\$1,000.00	7.29%	\$1,000.00	7.24%	\$1,000.00	7.19%	\$980.00	6.89%	\$980.00	6.82%	\$980.00	6.68%	\$10,560.00	6.34%
UTILITIES - WATER	\$3.80	0.00%	\$4.00	0.00%	\$4.00	0.00%	\$4.00	0.00%	\$4.00	0.00%	\$4.00	0.00%	\$40.00	0.00%
CHEMICALS	\$41.19	0.30%	\$41.46	0.30%	\$41.70	0.30%	\$43.22	0.30%	\$43.47	0.30%	\$43.73	0.30%	\$501.73	0.30%
MATERIALS & SUPPLIES	\$716.75	5.25%	\$721.46	5.22%	\$726.64	5.22%	\$732.05	5.22%	\$736.44	5.22%	\$740.82	5.22%	\$8,768.08	5.22%
OFFICE & SUPPLIES EXPENSE	\$438.59	3.20%	\$438.59	3.19%	\$438.59	3.19%	\$438.59	3.19%	\$438.59	3.19%	\$438.59	3.19%	\$5,263.10	3.19%
ANNUAL SAMPLING FEE	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
RENT OFFICE & YARD	\$325.00	2.37%	\$325.00	2.36%	\$325.00	2.34%	\$325.00	2.28%	\$325.00	2.28%	\$325.00	2.23%	\$3,900.00	2.23%
TRANSPORTATION EXPENSE	\$168.75	1.20%	\$167.50	1.20%	\$168.00	1.20%	\$168.00	1.20%	\$168.00	1.20%	\$168.00	1.20%	\$2,016.00	1.20%
INSURANCE EXPENSE	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
REGULATORY COMMISSION EXP.	\$220.00	1.60%	\$220.00	1.58%	\$220.00	1.58%	\$220.00	1.55%	\$220.00	1.52%	\$220.00	1.51%	\$2,640.00	1.50%
MISCELLANEOUS EXPENSE	\$164.00	1.24%	\$165.13	1.24%	\$166.25	1.24%	\$169.86	1.24%	\$169.18	1.24%	\$169.31	1.24%	\$2,031.04	1.24%

KEATON DEVELOPMENT, INC

INCOME AND EXPENSE PROJECTIONS FOR JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

PAGE FOUR OF FOUR

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	12 MONTH TOTAL
	\$	\$	\$	\$	\$	\$	\$
	%	%	%	%	%	%	%
PROPERTY TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,632.99	\$4,632.99
SALES TAX	\$777.28	\$762.00	\$764.76	\$816.80	\$830.25	\$836.00	\$6,083.09
INTEREST EXPENSE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DEPRECIATION EXPENSE	\$1,696.40	\$1,696.40	\$1,696.40	\$1,696.40	\$1,696.40	\$1,696.40	\$12,676.80
BAD DEBT EXPENSE	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$720.00
TOTAL EXPENSES	\$19,896.64	\$19,896.64	\$19,896.64	\$19,896.64	\$19,896.64	\$19,896.64	\$151,172.80
OPERATING INCOME	\$3,132.61	\$3,132.61	\$3,132.61	\$3,132.61	\$3,132.61	\$3,132.61	\$25,061.28
TRUSTEE FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WIFA EXISTING	\$200.63	\$200.63	\$200.63	\$200.63	\$200.63	\$200.63	\$1,605.06
PLACEMENT RESERVE FUND	\$72.50	\$72.50	\$72.50	\$72.50	\$72.50	\$72.50	\$580.00
DEBT RESERVE FUND	\$72.50	\$72.50	\$72.50	\$72.50	\$72.50	\$72.50	\$580.00
LA PAX COUNTY	\$422.49	\$422.49	\$422.49	\$422.49	\$422.49	\$422.49	\$3,379.92
UNSECURED	\$1,111.11	\$1,111.11	\$1,111.11	\$1,111.11	\$1,111.11	\$1,111.11	\$8,888.88
NEW WIFA LOAN (SUBJECT OF REQ.)	\$296.60	\$296.60	\$296.60	\$296.60	\$296.60	\$296.60	\$2,372.80
TOTAL LOAN AND BK PAYMENTS	\$1,286.83	\$1,286.83	\$1,286.83	\$1,286.83	\$1,286.83	\$1,286.83	\$10,294.56
DEBT SERVICE CAPACITY	16.43%	16.43%	16.43%	16.43%	16.43%	16.43%	16.43%
OPERATING INCOME							\$22,406.64
DEPRECIATION							\$23,086.80
LOAN TO MEET DEBT SERVICE							\$46,093.44
DEBT COVERAGE							1.78

A-3

Keaton Development Company, Inc.

P.O. Box 905 66798 Hwy 60
Salome, AZ 85348
Phone 928-859-3982 Fax 928-859-3984

HEARING

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NOV 8 2004

ARIZONA CORPORATION COMMISSION
HEARING DIVISION

05 November 2004

Arizona Corporation Commission
Docket Control/Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

Re: Docket No. W-02169A-04-0363
Staff Report For Keaton Development Company Application For Financing Authorization
ADDENDUM to Response to Recommendation

Please find enclosed the addendum to the Keaton Development Company response (dated 04 November 2004) to the Financial Section Analysis of our application for financing authorization.

The addendum consists of three documents.

The Plan of Reorganization of Keaton Development Company, Inc., Dated July 23, 2003
(to be inserted into Schedule 1)

Schedule 2 – Keaton Development Company Balance Sheet 6/30/04 And Impact of \$40,000
(to be inserted before the three-page Balance Sheet As of June 30, 04)

Schedule 3 – Assumptions For August 1, 2004 To December 31, 2004 Projections of Income and Expenses (to be inserted before the two-page Income and Expense Projections for August 1, 2004 Through December 31, 2004)

Respectfully,


William S. Scott, President
Keaton Development Company, Inc.

AZ CORP COMMISSION
DOCUMENT CONTROL

2004 NOV -8 P 3:08

RECEIVED



1 John A. Weil, Bar No. 005621
2 **WEIL & WEIL, PLLC**
3 1600 S. Fourth Avenue, Suite C
4 Yuma, Arizona 85366-1977
5 Tel: 928/783-2161
6 Fax: 928/783-6082

7 *Attorney for Keaton Development Company, Inc.*

8
9
10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **IN AND FOR THE DISTRICT OF ARIZONA**

12 In Re:

Chapter 11.

13 **KEATON DEVELOPMENT COMPANY,**
14 **INC., an Arizona corporation,**

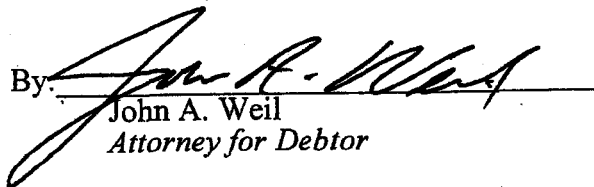
Case No. 03-00949-YUM-JMM

15 Debtor.

16
17 **PLAN OF REORGANIZATION**
18 **OF**
19 **KEATON DEVELOPMENT COMPANY, INC.,**
20 **DATED**
21 **JULY 23, 2003**

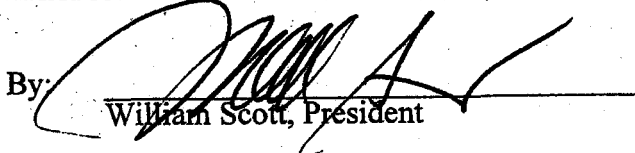
22 DATED this 23rd day of July, 2003.

23 **WEIL & WEIL, PLLC**

24 By: 
25 John A. Weil
26 Attorney for Debtor

27 **Approved:**

28 **KEATON DEVELOPMENT COMPANY, INC.**

By: 
William Scott, President

1 John A. Weil, Bar No. 005621
2 **WEIL & WEIL, PLLC**
3 1600 S. Fourth Avenue, Suite C
4 Yuma, Arizona 85366-1977
5 Tel: 928/783-2161
6 Fax: 928/783-6082

7 *Attorney for Keaton Development Company, Inc.*

8
9 **IN THE UNITED STATES BANKRUPTCY COURT**
10 **IN AND FOR THE DISTRICT OF ARIZONA**
11

12 In Re:

13 KEATON DEVELOPMENT COMPANY,
14 INC., an Arizona corporation,

15 Debtor.

Chapter 11

Case No. 03-00949-YUM-JMM

16
17 **PLAN OF REORGANIZATION**
18 **OF**
19 **KEATON DEVELOPMENT COMPANY, INC.,**
20 **DATED**
21 **JULY 23, 2003**
22

23 DATED this 23rd day of July, 2003.

24 **WEIL & WEIL, PLLC**

25 By: /s/ John A. Weil

26 John A. Weil
27 *Attorney for Debtor*

28 **Approved:**

KEATON DEVELOPMENT COMPANY, INC.

By: /s/ William Scott
William Scott, President

TABLE OF CONTENTS

1			
2	I	INTRODUCTION	1
3	II	DEFINITIONS	1
4	III	SECTION ONE - CLASSIFICATION OF CLAIMS AND INTEREST	3
5	A.	Non-Classified Claims - Administrative Claims	3
6	B.	Priority Claims	4
7	1.	Class B-1 - Allowed Wage Claims	4
8	2.	Class B-2 - Unsecured Priority Tax Claims	4
9	3.	Class B-3 - Contributions to Employee Benefit Plans	4
10	C.	Secured Claims	5
11	1.	Class C-1 - Water Infrastructure Finance Authority of Arizona	5
12	2.	Class C-2 - La Paz County	5
13	D.	Class D-1 - KRC Unsecured Claim	6
14	E.	Class D-2 - General Unsecured Claims	7
15	F.	Equity Interest Holders	7
16	IV	TREATMENT OF CLAIMS	7
17	A.	Non-Classified Claims - Administrative Claims	7
18	B.	Priority Claims	8
19	1.	Class B-1 - Allowed Wage Claims	8
20	2.	Class B-2 - Unsecured Priority Tax Claims	8
21	3.	Class B-3 - Contribution to Employee Benefit Plans	9
22	C.	Secured Claims	9
23	1.	Class C-1 - Water Infrastructure Finance Authority of Arizona	9
24	2.	Class C-2 - La Paz County	9
25	D.	Class D-1 - KRC Unsecured Claim	10
26	E.	Class D-2 - General Unsecured Claims	11
27	F.	Payment of Class D-1 and D-2 General Unsecured Claims	11
28	G.	Equity Interest Holders	11

1	V	GENERAL PROVISIONS RELATING TO THE TREATMENT OF ALL CLAIMS	11
2			
3	A.	Penalties and Other Charges	11
4	B.	Controlling Effect	11
5	C.	Prepayment of Claims	12
6	D.	Satisfaction of Claims and Interests	12
7	VI	MEANS FOR IMPLEMENTATION OF THE PLAN	12
8	A.	Post-Confirmation Management	12
9	B.	Source of Plan Funds	12
10	C.	Disputed Claims	12
11	D.	Post Confirmation Employment of Professionals	13
12	E.	Retention and Enforcement of Claims	13
13	VII	VESTING OF PROPERTY	13
14	VIII	CLAIMS ADJUDICATION	13
15	IX	TERM	14
16	X	EXECUTORY CONTRACTS AND UNEXPIRED LEASES	14
17	XI	PROVISIONS WHICH MAY MODIFY THE RIGHTS OF ALL CLAIMANTS	14
18	XII	PRE-CONFIRMATION MODIFICATION	14
19	XIII	POST-CONFIRMATION MODIFICATION	15
20	XIV	FINAL ACCOUNTING	15
21	XV	RETENTION OF JURISDICTION	15
22	XVI	POST-CONFIRMATION REPORTS AND U.S. TRUSTEE FEES	16
23	XVII	RESERVATION OF ALL CLAIMS	17
24	XVIII.	NEW VALUE CONTRIBUTION	17
25			
26			
27			
28			

1 7. Bankruptcy Rules means the rules of procedure in bankruptcy cases applicable to
2 cases pending before the Bankruptcy Court, as amended.

3 8. Claim means any legal or equitable right to payment against the Debtor in existence
4 on or as of the petition date whether or not such right to payment is reduced to judgment, liquidated,
5 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, secured or
6 unsecured.

7 9. Confirmation Date means the date upon which the court enters its confirmation order.

8 10. Confirmation Order means the order confirming the Plan pursuant to Section 1129
9 of the Bankruptcy Code.

10 11. Contested means a claim against the Debtor that is listed in the Debtor's schedules
11 as disputed and/or a claim against the Debtor as to which an objection has been filed with the
12 Bankruptcy Court.

13 12. Contingent means a claim that has not occurred and which is dependent upon a future
14 event that may never occur.

15 13. Debtor means Keaton Development Company, Inc., an Arizona corporation.

16 14. Disputed Claim means a claim against the Debtor listed by the Debtor as "disputed"
17 or to which an objection is filed.

18 15. Distribution means the cash required by the Plan to be distributed to the holders of
19 Allowed Claims.

20 16. Distribution Date means the date of the distribution of funds as provided under the
21 Plan.

22 17. Effective Date means the date following sixty (60) days after entry of the
23 confirmation order.

24 18. Final Order means an order of the Bankruptcy Court or the District Court as to which
25 (a) any appeal that has been taken has been finally determined or dismissed, or (b) the relevant time
26 for appeal has expired and a notice of appeal has not been timely filed.

27 19. Petition Date means the date that the Voluntary Petition was filed June 23, 2003.

28 20. Plan means this Plan of Reorganization as amended in accordance with the terms

hereof or modified in accordance with Section 1127 of the Bankruptcy Code.

21. Plan Rate of Interest means 5.25% simple annual rate of interest.

22. Priority Claim means any claim to the extent entitled to priority under Section 507(a) of the Bankruptcy Code other than an Administrative Claim.

23. Pro Rata means the proportion by which a particular creditor's claim bears to the sum of all Allowed Claims in the same class.

24. Reorganized Debtor means Keaton Development Company, Inc., reorganized pursuant to this Plan of Reorganization.

ARTICLE III

SECTION ONE - CLASSIFICATION OF CLAIMS AND INTEREST

The Debtor herein classifies all claims so that the Plan of Reorganization shall provide that all allowed claims and allowed interests shall be classified as follows:

A. Non-Classified Claims - Administrative Claims.

The holders of claims entitled to priority under Section 507(1) of the Bankruptcy Code, including entities entitled to payment pursuant to Section 503 of the Bankruptcy Code, and professionals employed by the Debtor, prior to or after entry of the confirmation order shall receive cash in the amount of such claims within six months after the Effective Date.

John A. Weil, WEIL & WEIL, PLLC, 1600 S. Fourth Avenue, Suite C, Yuma, Arizona 85364, was employed by the Debtor-in-Possession pursuant to the Order for Employment of Attorney entered by the Bankruptcy Court on July 2, 2003, to represent the Debtor in this case, to assist the Debtor in the conduct of the Debtor's financial affairs, to prepare the petition, statement of affairs and schedules, to formulate a plan of reorganization, to prepare a disclosure statement, to investigate and resolve claims, and to generally assist the Debtor in all of their duties required of them under the Bankruptcy Code.

John A. Weil has received an initial retainer of \$15,000 which funds are held in a client trust account.

As of the date of the filing of the Disclosure Statement, John A. Weil has incurred attorney's

1 fees and costs in the approximate amount of \$5,000.00. It is anticipated that additional attorney
2 time of \$20,000.00 will be required in order to assist the Debtor in obtaining approval of the
3 Disclosure Statement, resolve objections to the Disclosure Statement and Plan of Reorganization,
4 adjudicate disputed claims and otherwise assist the Debtor in the confirmation and consummation
5 of the Plan of Reorganization with total fees at \$25,000.00.

6 At this time the Debtor anticipates that, in addition to the \$15,000.00 retainer, John A. Weil
7 will be owed attorney's fees in the amount of \$10,000.00

8 The Plan of Reorganization provides that this Non-Classified Administrative Claim will be
9 paid by the Reorganized Debtor from the retainer and post-confirmation income. Under the Plan of
10 Reorganization, the Debtor shall be authorized to pay all fees and costs due WEIL & WEIL, PLLC,
11 without further application, notice, or hearing.

12 **B. Priority Claims.**

13 The Priority Claims shall include those claims entitled to priority under Section 507(a) of the
14 Bankruptcy Code.

15 1. Class B-1 - Allowed Wage Claims. Class B-1 consists of all allowed wage
16 claims which are for wages, salaries, commissions, including vacation pay, severance and sick leave
17 pay of the kind and the amounts specified under Section 507(a)(3) of the Bankruptcy Code. The
18 Debtor has the following Priority Wage Claim. The Debtor is not aware of any Priority Wage
19 Claims.

20 2. Class B-2 - Unsecured Priority Tax Claims. Class B-2 consists of all allowed
21 Unsecured Priority Tax Claims of a governmental unit of the kind specified in Section 507(a)(8) of
22 the Bankruptcy Code.

23 a. Arizona Department of Revenue. The Debtor is not aware of any
24 amounts due the Arizona Department of Revenue.

25 b. Internal Revenue Service. The Debtor is not aware of any amounts
26 due the Internal Revenue Service.

27 3. Class B-3 - Contributions to Employee Benefit Plans. Class B-3 consists of
28 all allowed unsecured priority claims for contributions to employee benefit plans for services

rendered within 180 days immediately preceding the filing of the Petition in this case pursuant to 11 U.S.C. § 507(a)(4). The Debtor is not aware of any Priority Claims for contributions to employee benefit plans.

C. Class C - Secured Claims.

Class C shall consist of all Secured Claims against the Debtor and shall include only those creditors holding a valid, properly perfected and enforceable security interest in assets of the Debtor. All secured claims are classified as Class C - Secured Claims.

1. Class C-1 - Water Infrastructure Finance Authority of Arizona. The Class C-1 secured claim shall consist of the claim of the Water Infrastructure Finance Authority of Arizona ("WIFA") under the Loan Agreement between the Debtor and WIFA, dated June 1, 1999.

The original principal balance of the loan was \$51,455.00 and on the petition date there was due and owing to WIFA a principal balance of \$44,071.18. The WIFA loan is secured against a Debt Service Reserve Fund and a Replacement Reserve Fund, pursuant to the terms a Continuing Security Agreement and a Cash Collateral Agreement. The Debt Service Reserve Fund is valued at approximately \$4,350.00 and the Replacement Reserve Fund is valued at \$3,400.00. The Debtor is required to make contributions to the Debt Reserve Fund in the amount of \$72.60 per month and to the Replacement Reserve Fund in the amount of \$72.60 per month.

The secured claim of WIFA shall be paid in accordance with the terms of the Loan Agreement dated June 1, 1999, and the monthly payments required under the Loan Agreement shall be made as part of the Debtor's operating expenses.

WIFA shall retain its security interest in the Debt Service Reserve Fund and Replacement Reserve Fund.

All terms and provisions of the Loan Agreement dated June 1, 1999, are incorporated as terms of the Plan and WIFA shall be paid in full (100%) in accordance with the Loan Agreement.

The claim of WIFA is unimpaired.

2. Class C-2 - La Paz County. The Class C-2 claim shall consist of the secured claim of La Paz County in the amount of \$29,644.62 for accrued and unpaid personal property taxes. Pursuant to Arizona law, the Class C-2 claim is secured against the Debtor's personal property.

1 The secured claim of La Paz County shall be paid in full (100%) with interest at the Plan Rate
2 of Interest over the term of the Plan in equal annual installments with the first installment due and
3 payable on the first anniversary date after the effective date.

4 The secured claim of La Paz County is impaired.

5 **D. Class D-1 - KRC Unsecured Claim.**

6 On April 14, 1998, the Debtor entered into a Refund and Plant Expansion Agreement for
7 Developer and Company Installed Facilities with KRC Company, Inc.

8 KRC agreed to properly construct a water utility plant and related facilities to include three
9 water wells, pumps, tanks, motors, electrical control panels, water lines, valves, and fire hydrants.

10 KRC further agreed to advance for construction of additional water plant facilities
11 \$12,000.00 on the Debtor obtaining 110 connections and \$12,000.00 on 175 connections.

12 KRC advanced the first \$12,000.00 on 110 connections, The Debtor has over 175
13 connections and has installed two additional pumps. However, KRC has refused to advance the
14 second \$12,000.00.

15 Also, the water utility plant facilities constructed by KRC are defective. Specifically, Well
16 No. 3 is defective. Well No. 3 produces only a fraction of the water it is required to produce to
17 accommodate the terms of the contract. In addition, the pumping system is not capable of providing
18 sufficient volume or pressure. KRC has refused to repair the system. The cost of repairing Well No.
19 3 and the pumping system will exceed \$60,000.00.

20 Partly because of the problems with the system, the Debtor was unable to make payments to
21 KRC for annual refunds.

22 On April 22, 2002, KRC filed a lawsuit against the Debtor in La Paz County Superior Court,
23 Case No. 20020051, seeking to recover alleged unpaid refunds in the amount of \$21,784.78.

24 The Debtor has filed a counterclaim for damages for the cost of repairing Well No. 3 and its
25 pump.

26 This litigation was pending in La Paz County Superior Court on the Petition Date.

27 Under the Plan, the Debtor will reject the Refund and Plant Expansion Agreement with KRC.

28 KRC's claim for rejection damages will be paid on a pro rata basis with General Unsecured

1 Claims.

2 **E. Class D-2 - General Unsecured Claims.**

3 All of the claims against the Debtor not expressly and specifically classified as
4 administrative, priority, or a secured claim above shall be treated as a Class D-2 General Unsecured
5 Claim.

6 The Class D-2 General Unsecured Claims shall include claims of all types, of any character
7 and nature, contingent, non-contingent, liquidated, unliquidated, disputed, or undisputed.

8 Class D-2 General Unsecured Claims shall include claims whether known or unknown by
9 the Debtor.

10 **F. Equity Interest Holders.**

11 Class E Equity Security Holders shall consist of the claim of the stockholder of the
12 corporation William Scott who shall retain ownership of his outstanding stock and equity interest
13 in the Debtor, unaltered and unchanged by the provisions of this Plan.

14
15 **ARTICLE IV**

16 **TREATMENT OF CLAIMS**

17 All claims, including those specifically identified and classified above against the Debtor
18 shall be treated, settled, satisfied, discharged, and resolved in accordance with the following
19 provisions:

20 **A. Non-Classified Claims - Administrative Claims.**

21 The holders of claims entitled to priority under Section 507(1) of the Bankruptcy Code,
22 including entities entitled to payment pursuant to Section 503 of the Bankruptcy Code, and
23 professionals employed by the Debtor, prior to or after entry of the confirmation order shall receive
24 cash in the amount of such claims within six months after the Effective Date.

25 John A. Weil, WEIL & WEIL, PLLC, 1600 S. Fourth Avenue, Suite C, Yuma, Arizona 85364,
26 was employed by the Debtor-in-Possession pursuant to the Order for Employment of Attorney
27 entered by the Bankruptcy Court on July 3, 2003, to represent the Debtor in this case, to assist the
28 Debtor in the conduct of the Debtor's financial affairs, to prepare the petition, statement of affairs

1 and schedules, to formulate a plan of reorganization, to prepare a disclosure statement, to investigate
2 and resolve claims, and to generally assist the Debtor in all of their duties required of them under the
3 Bankruptcy Code.

4 John A. Weil has received a retainer in the total amount of \$15,000.00 which is held in a
5 client trust account.

6 As of the date of the filing of the Disclosure Statement, John A. Weil has incurred attorney's
7 fees and costs in the amount of \$5,000.00. It is anticipated that additional attorney time of
8 \$20,000.00 will be required in order to assist the Debtor in obtaining approval of the Disclosure
9 Statement, resolve objections to the Disclosure Statement and Plan of Reorganization, adjudicate
10 disputed claims and otherwise assist the Debtor in the confirmation and consummation of the Plan
11 of Reorganization.

12 At this time the Debtor anticipates that, in addition to the \$15,000.00 retainer, John A. Weil
13 will be owed attorney's fees in the amount of \$10,000.00

14 The Plan of Reorganization provides that this Non-Classified Administrative Claim will be
15 paid by the Reorganized Debtor from the retainer and post-confirmation income without further
16 notice or order of the Bankruptcy Court.

17 **B. Priority Claims.**

18 The Priority Claims shall include those claims entitled to priority under Section 507(a) of the
19 Bankruptcy Code.

20 1. Class B-1 - Allowed Wage Claims. Class B-1 consists of all allowed wage
21 claims which are for wages, salaries, commissions, including vacation pay, severance and sick leave
22 pay of the kind and the amounts specified under Section 507(a)(3) of the Bankruptcy Code. The
23 Debtor has the following Priority Wage Claim. The Debtor is not aware of any Priority Wage
24 Claims.

25 2. Class B-2 - Unsecured Priority Tax Claims. Class B-2 consists of all allowed
26 Unsecured Priority Tax Claims of a governmental unit of the kind specified in Section 507(a)(8) of
27 the Bankruptcy Code.

28 a. Arizona Department of Revenue. The Debtor is not aware of any

1 amounts due the Arizona Department of Revenue.

2 b. Internal Revenue Service. The Debtor is not aware of any amounts
3 due the Internal Revenue Service.

4 3. Class B-3 - Contributions to Employee Benefit Plans. Class B-3 consists of
5 all allowed unsecured priority claims for contributions to employee benefit plans for services
6 rendered within 180 days immediately preceding the filing of the Petition in this case pursuant to 11
7 U.S.C. § 507(a)(4). The Debtor is not aware of any Priority Claims for contributions to employee
8 benefit plans.

9 **C. Class C - Secured Claims.**

10 Class C shall consist of all Secured Claims against the Debtor and shall include only those
11 creditors holding a valid, properly perfected and enforceable security interest in assets of the Debtor.
12 All secured claims are classified as Class C - Secured Claims.

13 1. Class C-1 - Water Infrastructure Finance Authority of Arizona. The Class C-1
14 secured claim shall consist of the claim of the Water Infrastructure Finance Authority of Arizona
15 ("WIFA") under the Loan Agreement between the Debtor and WIFA, dated June 1, 1999.

16 The secured claim of WIFA shall be paid in accordance with the terms of the Loan
17 Agreement dated June 1, 1999, and the monthly payments required under the Loan Agreement shall
18 be made as part of the Debtor's operating expenses.

19 WIFA shall retain its security interest in the Debt Service Reserve Fund and Replacement
20 Reserve Fund.

21 All terms and provisions of the Loan Agreement dated June 1, 1999, are incorporated as
22 terms of the Plan and WIFA shall be paid in full (100%) in accordance with the Loan Agreement.

23 The claim of WIFA is unimpaired.

24 2. Class C-2 - La Paz County. The Class C-2 claim shall consist of the secured
25 claim of La Paz County in the amount of \$29,644.62 for accrued and unpaid personal property taxes.
26 Pursuant to Arizona law, the Class C-2 claim is secured against the Debtor's personal property.

27 The secured claim of La Paz County shall be paid in full (100%) with interest at the Plan rate
28 over the term of the Plan in equal annual installments with the first installment due and payable on

1 the first anniversary date after the effective date.

2 The secured claim of La Paz County is impaired.

3 **D. Class D-1 - KRC Unsecured Claim.**

4 On April 14, 1998, the Debtor entered into a Refund and Plant Expansion Agreement for
5 Developer and Company Installed Facilities with KRC Company, Inc.

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7 (3) water wells, pumps, tanks, motors, electrical control panels, water lines, valves, and fire hydrants.

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14 No. 3 is defective. Well No. 3 produces only a fraction of the water it is required to produce to
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16 sufficient volume or pressure. KRC has refused to repair the system. The cost of repairing Well No.
17 3 and the pumping system will exceed \$60,000.00.

18 Partly because of the problems with the system, the Debtor was unable to make payments to
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20 On April 22, 2002, KRC filed a lawsuit against the Debtor in La Paz County Superior Court,
21 Case No. 20020051, seeking to recover alleged unpaid refunds in the amount of \$21,784.78.

22 The Debtor has filed a counterclaim for damages for the cost of repairing Well No. 3 and its
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24 This litigation was pending in La Paz County Superior Court on the Petition Date.

25 Under the Plan, the Debtor will reject the Refund and Plant Expansion Agreement with KRC.

26 KRC's claim for rejection damages will be paid on a pro rata basis with General Unsecured
27 Claims.

1 **E. Class D-2 - General Unsecured Claims.**

2 All of the claims against the Debtor not expressly and specifically classified above shall be
3 treated as a Class D-2 General Unsecured Claim.

4 The Class D-2 General Unsecured Claims shall include claims of all types, of any character
5 and nature, contingent, non-contingent, liquidated, unliquidated, disputed, or undisputed.

6 Class D-2 General Unsecured Claims shall include claims whether known or unknown by
7 the Debtor.

8 **F. Payment of Class D-1 and D-2 Unsecured Claims.**

9 The Debtor shall contribute the sum of \$80,000.00 for payment of Class D-1 and Class D-2
10 Unsecured Claims.

11 Payments will commence on the first anniversary of the Effective Date and continue over the
12 term of the Plan. Class D-1 and Class D-2 Unsecured Claims are impaired.

13 **G. Equity Interest Holders.**

14 Class E Equity Security Holders shall consist of the claim of the stockholder of the
15 corporation William Scott who shall retain ownership of his outstanding stock and equity interest
16 in the Debtor, unaltered and unchanged by the provisions of this Plan.

17
18 **ARTICLE V**

19 **GENERAL PROVISIONS RELATING TO THE**
20 **TREATMENT OF ALL CLAIMS**

21 **A. Penalties and Other Charges.**

22 No portion of an Allowed Claim shall include, and no distribution shall be made, on account
23 of, any fine, penalty, exemplary or punitive damages, late charges, or other monetary charge relating
24 to or arising from any default or breach by the Debtor. An objection shall be deemed to have been
25 filed by the Debtor to any claim for such an amount.

26 **B. Controlling Effect.**

27 The provisions of this Plan shall modify and supersede any terms of any contract, promissory
28 note, deed of trust, security agreements, and other documents relating to any Allowed Claim, except

1 any settlement agreement entered into by the Debtor-in-Possession and approved by the Bankruptcy
2 Court, which settlement agreements shall be deemed a part of this Plan of Reorganization. The
3 Debtor shall not be deemed to have assumed any obligation specified in any promissory note, deed
4 of trust, security agreement, or other document relating to Allowed Claims except as specifically
5 provided by the Plan.

6 **C. Prepayment of Claims.**

7 The Debtor reserves the right to prepay any class of claims in full at any time without
8 prepayment penalties.

9 **D. Satisfaction of Claims and Interests.**

10 Creditors of the estate shall receive the distributions set forth in the Plan on account of and
11 in complete satisfaction of Allowed Claims. Upon the Effective Date, each creditor shall be deemed
12 to have assigned to the Debtor and waived, relinquished and released any and all of their rights and
13 claims against the Debtor other than as provided for in the Plan or confirmation order.

14
15 **ARTICLE VI**

16 **MEANS FOR IMPLEMENTATION OF THE PLAN**

17 **A. Post-Confirmation Management.**

18 The Reorganized Debtor shall continue to be managed by its President William Scott.

19 **B. Source of Plan Funds.**

20 The source of the Plan funds shall be the earnings of the Reorganized Debtor under the Plan
21 of Reorganization. The Debtor shall continue to conduct its business in the same manner as it has
22 been conducted post petition.

23 **C. Disputed Claims.**

24 If a distribution is required to be made under the Plan to the holder of a claim that is a
25 Disputed Claim, any distribution shall be retained in the post-confirmation account until all
26 objections and disputes relating to the claim have been resolved by a final order of the Bankruptcy
27 Court.

1 **D. Post-Confirmation Employment of Professionals.**

2 After the Effective Date, the Debtor shall have the right to employ professionals, including
3 attorneys, accountants and other advisors free of any restrictions imposed by the Bankruptcy Code
4 or Rules. Fees and costs may be paid for services rendered after the Effective Date from the post-
5 confirmation bank account and solely upon the Debtor's approval without the necessity of notice to
6 creditors or bankruptcy court approval.

7 **E. Retention and Enforcement of Claims.**

8 Pursuant to Code Section 1123(b)(3), the Reorganized Debtor shall retain and may enforce
9 any and all claims held by the Debtor, known or unknown, and whether or not specifically identified
10 in the Disclosure Statement or Plan.

11
12 **ARTICLE VII**

13 **VESTING OF PROPERTY**

14 Confirmation of the Plan shall vest the property of the estate in the Debtor.

15
16 **ARTICLE VIII**

17 **CLAIMS ADJUDICATION**

18 As of the date of the Plan, there exist disputed, contested and contingent claims. The
19 provisions of the Plan are based on the assumption that claims listed by the Debtor as disputed,
20 contested or contingent are not valid and will not be paid under the terms of the Plan. In addition,
21 the Debtor reserve the right to review all claims and to make objection to any claim subsequently
22 determined to be invalid. The Debtor further reserves the right to contest the validity or extent of any
23 claimed lien, encumbrance or security interest in property of the estate. Thus, the claims
24 adjudication process may result in an increase or decrease in the amount of Allowed Claims. In the
25 event the amount of any class of claims is increased, said increase shall be paid as part of the final
26 distribution. Notwithstanding any other provision of the Plan, no payments or distribution shall be
27 made in respect to all or any portion of a contested claim unless and until all objections to such
28 contested claim have been determined by final order.

1 **ARTICLE IX**

2 **TERM**

3 The term of this Plan shall be for a period of seven (7) years beginning on the Effective Date
4 and ending on the seventh anniversary thereof.

5
6 **ARTICLE X**

7 **EXECUTORY CONTRACT AND UNEXPIRED LEASES**

8 The Debtor has one executory contract which consists of the Refund and Plant Expansion
9 Agreement for Developer and Company Installed Facilities between the Debtor and KRC Company,
10 Inc., an Arizona corporation, dated May 6, 1998. Pursuant to the terms of the Plan, the Debtor
11 **REJECTS** the KRC Company, Inc., agreement.

12
13 **ARTICLE XI**

14 **PROVISIONS WHICH MAY MODIFY THE RIGHTS OF ALL CLAIMANTS**

15 Upon the entry of the confirmation order, the Plan shall bind the Debtor, all creditors and any
16 entity acquiring or being distributed property under the Plan whether their claims are impaired under
17 the Plan or whether or not they have accepted the Plan. Except as provided by this Plan, the
18 confirmation order shall permanently bar the filing and/or asserting of any claims against the Debtor
19 which arose or relates to the period of time prior to the petition date.

20
21 **ARTICLE XII**

22 **PRE-CONFIRMATION MODIFICATION**

23 The Debtor reserves the right to revoke or withdraw the Plan prior to entry of confirmation
24 order. If the Debtor revokes or withdraws the Plan, or if confirmation of the Plan does not occur,
25 then the Plan shall be deemed null and void and nothing contained herein shall be deemed to
26 constitute a waiver or release of any claims by or against the Debtor or any other person or to
27 prejudice in any manner the rights of the Debtor or any person in any further proceeding involving
28 the Debtor.

1 The Debtor further reserves the right to file modifications of the Plan at any time before
2 confirmation provided that the Plan is modified and meets the requirements of Sections 1122 and
3 1123 of the Bankruptcy Code and the Debtor shall have complied with Sections 1125 of the
4 Bankruptcy Code.

6 ARTICLE XIII

7 POST-CONFIRMATION MODIFICATION

8 The Debtor reserves the right to seek modification of the Plan at any time after confirmation
9 and before substantial consummation; provided that the Plan as modified meets the requirements of
10 Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and hearing,
11 confirms the Plan as modified under Section 1129 of the Bankruptcy Code. A holder of a claim that
12 has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be,
13 such Plan as modified, unless within the time fixed by the Bankruptcy Court, such holder changes
14 its previous acceptance or rejection.

16 ARTICLE XIV

17 FINAL ACCOUNTING

18 Upon consummation of the Plan, the Debtor shall provide a final accounting to the
19 Bankruptcy Court pursuant to Section 1106(a)(7) of the Bankruptcy Code and shall make application
20 to close the case under Section 350 of the Bankruptcy Code.

22 ARTICLE XV

23 RETENTION OF JURISDICTION

24 The Bankruptcy Court shall retain jurisdiction conferred by 28 U.S.C. Section 157 and 28
25 U.S.C. Section 1334 for any necessary purpose including but without limitation, the following: (1)
26 to set aside liens or encumbrances or to recover any preferences, transfers, assets or damages to
27 which the estate may be entitled under applicable provisions of the Bankruptcy Code or other federal,
28 state or local law; (2) to hear and determine all claims arising from the rejection of any executory

1 contract, including leases, and to consummate the rejection of executory contracts hereunder; (3) to
2 liquidate damages in connection with the disputed, contingent or unliquidated claims; (4) to
3 adjudicate' all controversies concerning the classification or allowance of any claim or interest; (5)
4 to resolve any disputes regarding the interpretation of the Plan; (6) to implement the provisions of
5 this Plan and to make such orders as will aid the consummation of the Plan; (7) to determine any and
6 all applications for allowance of compensation and reimbursement of expenses; (8) to adjudicate
7 controversies regarding property which constitutes property of the Debtor's estate and regarding the
8 ownership thereof, including the adjudication of causes of action which constitute property of the
9 estate; (9) to modify this Plan pursuant to Section 1141 of the Bankruptcy Court; (10) to enter an
10 order closing the case; and (11) to approve the sale of any estate property outside the ordinary course
11 of business.

13 ARTICLE XVI

14 POST-CONFIRMATION REPORTS AND U.S. TRUSTEE FEES

15 The Reorganized Debtor and Creditors' Trustee shall be responsible for the timely payment
16 of fees incurred pursuant to 28 U.S.C. Section 1930(a)(6)(as amended in 1996) to the United States
17 Trustee. After confirmation, the Reorganized Debtor shall serve on the United States Trustee a
18 financial report for each quarter (or a portion thereof), that the case remains open. The quarterly
19 financial report shall include the following:

20 A. A statement of all disbursements made during the course of the quarter, whether or
21 not pursuant to the Plan;

22 B. A summary, by class, of amounts distributed or property transferred to each receipt
23 under the Plan and an explanation of the failure to make any distributions or transfers of property
24 under the Plan;

25 C. Debtor's projections as to its continuing ability to comply with the terms of the Plan;

26 D. A description of any other factors which may materially affect the Debtor's ability
27 to consummate the Plan; and

8 E. An estimated date when an application for final decree will be filed with the court (in

1 the case of the final quarterly report, the date the decree was lodged or requested).

2
3 **ARTICLE XVII**

4 **RESERVATION OF ALL CLAIMS**

5 Under the Plan, the Debtor shall retain all claims of all types, character, and nature against
6 every person or entity, which claim existed on the petition date. Without limiting the full scope of
7 the preceding sentence, the Debtor expressly retains all claims against KRC Company, Inc.
8

9 **ARTICLE XVIII**

10 **NEW VALUE CONTRIBUTION**

11 Within one hundred eighty (180) days after the Effective Date, the Debtor's President Bill
12 Scott will contribute twenty-five thousand dollars (\$25,000) cash to the corporation as a New Value
13 Contribution for purposes of acquiring a standby generator, the well and plant improvements, and
14 operating capital described in the Disclosure Statement.
15

16 DATED this 23rd day of July, 2003.

WEIL & WEIL, PLLC

17 By: /s/ John A. Weil
18 John A. Weil
19 Attorney for Keaton Development
20 Company, Inc.
21
22
23
24
25
26
27
28

File a Plan:**0-03-00949-JMM KEATON DEVELOPMENT COMPANY, INC.****Notice of Electronic Filing**

The following transaction was received from WEIL, JOHN A. entered on 7/28/2003 at 2:57 PM AZ and filed on 7/28/2003

Case Name: KEATON DEVELOPMENT COMPANY, INC.**Case Number:** 0-03-00949-JMM**Document Number:** 8**Docket Text:**

Chapter 11 Plan of Reorganization filed by JOHN A. WEIL of WEIL & WEIL, PLLC on behalf of KEATON DEVELOPMENT COMPANY, INC..(WEIL, JOHN)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**C:/WPDOCS/BK Clients/Keaton Development/Pleadings/Plan of Reorganization_5-20-03.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=875559564 [Date=7/28/2003] [FileNumber=2148603-0]

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7115432c4f6c25ec35837bf52281a865b745b85ce824cea42343959a28a1]]

SCHEDULE 2
KEATON DEVELOPMENT COMPANY
BALANCE SHEET 6/30/04 AND IMPACT OF \$40,000

	ACTUAL 06/30/04	IMPACT OF LOAN	AFTER LOAN FUNDED
ASSETS			
CURRENT ASSETS			
CASH	\$18,759.87		\$18,759.87
ACCOUNTS RECEIVABLE	\$9,437.34		\$9,437.34
TOTAL CURRENT ASSETS	\$28,197.21		\$28,197.21
LONG TERM ASSETS			
FIXED ASSETS	\$532,884.42		\$532,884.42
ACCUMULATED	\$267,725.85		\$267,725.85
TOTAL FIXED ASSETS	\$265,158.57		\$265,158.57
DEPOSITS	\$3,920.40		\$3,920.40
ENGINEERING FEES TO BE PART OF FIXED ASSET CONST.	\$0.00	\$40,000.00	\$40,000.00
TOTAL LONG TERM ASSETS	\$269,078.97		\$309,078.97
TOTAL ASSETS	\$297,276.18		\$337,276.18
LIABILITIES			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$19,670.02		\$19,670.02
SHORT TERM LOAN	\$7,000.00		\$7,000.00
ACCRUALS	\$3,087.93		\$3,087.93
CMLTD	\$2,340.00	\$2,115.30	\$4,455.30
CMLTD - BANKRUPTCY	\$9,201.60		\$9,201.60
TOTAL CURRENT LIABILITIES	\$41,299.55		\$43,414.85
LONG TERM LIABILITES			
LONG TERM DEBT	\$39,773.66	\$37,884.70	\$77,658.36
LONG TERM DEBT - BANKRUPTCY	\$97,084.06		\$97,084.06
TOTAL LONG TERM DEBT	\$136,857.72		\$174,742.42
TOTAL LIABILITIES	\$178,157.27		\$218,157.27
NET WORTH	\$119,118.91		\$119,118.91
TOTAL LIABILITIES AND NET WORTH	\$297,276.18		\$337,276.18

KEATON DEVELOPMENT, INC.

SCHEDULE 3

ASSUMPTIONS FOR AUGUST 1, 2004 TO DECEMBER 31, 2004 PROJECTIONS OF INCOME AND EXPENSES

Water income is based on the recent billings and the annual increase in billings during the winter visitor season. Although there may be some random hook ups, we are not projecting any for this period as the three major projects in this area will not come on line until January of 2005.

Sales Tax collections are based on the current sales tax rate of 6.0%.

Legal Fees are placed as zero for the period being projected. The company made a \$15,000 deposit when it filed Chapter 11. The plan is filed and approved and there is still in excess of \$3,000 in the account. The next legal action will not be until first quarter next year. At that time the Keaton Development, Inc. (Keaton) will file for the Final Decree. The \$3,000 is more than adequate to cover that cost. No other nonbankruptcy actions are anticipated.

Contracted Professionals expense is based on anticipated costs to complete the issues related to the financing of this project with the Arizona Corporation Commission and W.I.F.A.

Rent Auto & Equipment expenses based on the costs from 2003 and year to date. Although there is not a plan for the rental of either auto or equipment, for the sake of conservatism, the projected amount is being budgeted.

Meter Reading expense is based on the agreements currently in place.

Contracted Maintenance expense is based on 2003 and year to date results as a percentage of sales.

Payroll expense is based on current wages of the existing office staff.

Officer Salary expense is based on the current amount of \$1,500 that is being paid to the owner. This is within the Bankruptcy Plan and can be forfeited to support operations by the owner if needed.

Utilities (Electric) expense is based on 2003 and year to date usage.

Utilities (Water) expense is based on current water rates.

Chemicals expense is based on 2003 and year to date usage.

Materials & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Office & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Annual Sampling Fee expense is based on the existing agreement for date and cost.

Rent Office & Yard expense is based on the current rental agreement that covers the projected period.

Transportation expense is based on 2003 and year to date results as a percentage of sales.

Insurance expense is based on current policies and payment structure. The insurance agent does not expect an increase in the next policy period.

Regulatory Commission expense is for water testing. This is based on 2003 and year to date expenses.

Miscellaneous expense is based on the 2003 and year to date results as a percentage of sales.

Property Tax expense is based on the latest assessment.

Sales Tax expense is based on 6.0% of Water income.

Interest expense is included in total debt service requirements identified below.

Bad Debt expense is based on the budget amount of \$1,000 per year. Based on the current aging and listing the budgeted amount is more than ample cover any existing problem accounts.

Trustee Fee expense is based on the requirements to pay a quarterly fee to the Bankruptcy Trustee as long as you are still under the plan and a Final Decree has not been issued. The Final Decree will be issued in March. The last Trustee Fee will be expended on February of 2005 and will cover the period up to the Final Decree.

W.I.F.A. payments are based on current terms and conditions.

La Paz County payments on old property taxes are based on the Bankruptcy Plan. Per the plan, payments will be made over a six-year period starting on January 3, 2005.

Unsecured debt repayment is based on the Bankruptcy Plan. Under the plan, Keaton will pay \$80,000 over six years, beginning January 3, 2005.

New W.I.F.A. loan payments are based on a \$40,000 loan with a 20-year amortization and 6%.

SCHEDULE 2			
KEATON DEVELOPMENT COMPANY			
BALANCE SHEET 6/30/04 AND IMPACT OF \$40,000			
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NET WORTH	\$119,118.91		\$119,118.91
TOTAL LIABILITIES AND NET WORTH	\$297,276.18		\$337,276.18



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OCT 18 2004

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

MEMORANDUM

LEGAL

RECEIVED

2004 OCT 18 P 3:23

AZ CORP COMMISSION
DOCUMENT CONTROL

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

DATE: October 18, 2004

RE: STAFF REPORT FOR KEATON DEVELOPMENT COMPANY APPLICATION
FOR FINANCING AUTHORIZATION DOCKET NO. W-02169A-04-0363

Attached is the Staff Report for Keaton Development Company application for a financing authorization. Staff recommends denial.

EGJ: JHJ: red

Originator: J. H. JOHNSON

Attachment: Original and sixteen copies

Service List for: Keaton Development Company, Inc.
Docket No. W-02169A-04-0363

Keaton Development Company
P.O. Box 905
Salome, Arizona 85348

Christopher C. Kempley
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

KEATON DEVELOPMENT COMPANY

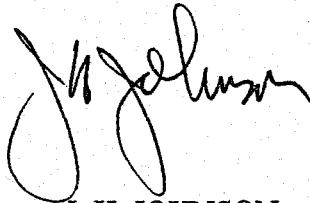
DOCKET NO. W-02169A-04-0363

**APPLICATION FOR A
FINANCING AUTHORIZATION**

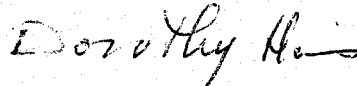
OCTOBER 2004

STAFF ACKNOWLEDGMENT

The Staff Report for Keaton Development Company, Docket No. W-02169A-04-0363 was the responsibility of the Staff members listed below: J. H. Johnson was responsible for the review and financial analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.



J. H. JOHNSON
PUBLIC UTILITIES ANALYST III



DOROTHY HAINS
UTILITIES ENGINEER (WATER/WASTEWATER)

EXECUTIVE SUMMARY

Keaton Development Company ("Keaton" or "Company") filed an application on May 13, 2004 with the Arizona Corporation Commission ("Commission" or "ACC") requesting authorization to incur \$40,000 of long-term debt. Keaton also submitted an application for financing with the Water Infrastructure Finance Authority ("WIFA").

Keaton is an Arizona for-profit corporation which owns and operates a public service corporation and holds a Certificate of Convenience and Necessity ("CC&N") authorizing it to provide water service in La Paz County, Arizona. Keaton's headquarters are in Salome, Arizona. Keaton provides water service to 429 connections as of the date of the application and has three employees.

Keaton is owned by William Scott, age 61, of Blythe, California, who bought the Company on March 4, 2003. Mr. Scott subsequently took Keaton into Chapter 11 bankruptcy as the result of inability to make refunds of Advances in Aid of Construction to KRC Company, Inc.

Keaton proposes to use the loan proceeds for the following purposes: (1) Develop a master plan for the expansion needed in the near future; (2) Upgrade the chlorination system; (3) Develop information on existing ground storage reservoirs; and (4) Provide back up electrical power for electricity outages.

The Company proposes to borrow \$40,000 from WIFA at an expected interest rate of 5.5 percent per annum with a twenty-year term and a monthly payment of \$275.17.

Staff reviewed the financial information submitted with the application and the Company prepared updated projections for the second half of 2004. The projections show a return to profitability and a positive equity position. However, issuing debt so soon after a Chapter 11 bankruptcy (Final Decree has not been filed) with no documented history of profitability is ill advised. An alternative to issuing additional debt to finance the proposed expenditures is to infuse equity capital.

Staff concludes that Keaton is not a viable candidate for more long-term debt. Its negative equity, operating losses and a pro forma debt service coverage ratio of 1.15 that is below WIFA's minimum requirement of 1.20 are not compatible with issuing additional debt.

Staff recommends denial of the applicant's request for authorization to incur \$40,000 of debt financing.

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
NOTICE	1
BACKGROUND.....	1
PURPOSE OF FINANCING.....	1
DESCRIPTION OF PROPOSED FINANCING	1
FINANCIAL ANALYSIS	2
COMPLIANCE	3
ENGINEERING ANALYSIS	3
STAFF CONCLUSIONS AND RECOMMENDATIONS.....	3

SCHEDULES

SELECTED FINANCIAL DATA.....	Schedule JHJ -1
------------------------------	-----------------

ATTACHMENTS

ENGINEERING REPORT

NOTICE

Introduction

Keaton Development Company ("Keaton" or "Company") filed an application on May 13, 2004, with the Arizona Corporation Commission ("Commission" or "ACC") requesting authorization to incur \$40,000 of long-term debt. Keaton also submitted an application for financing with the Water Infrastructure Finance Authority ("WIFA").

Notice

The Company published a notice of an application for an order authorizing the issuance of long-term debt in the *Parker Pioneer* on April 14, 2004. An affidavit of publication is attached to this report.

Background

Keaton is an Arizona for-profit corporation which owns and operates a public service corporation and holds a Certificate of Convenience and Necessity ("CC&N") authorizing it to provide water service in La Paz County, Arizona. Keaton's headquarters are in Salome, Arizona. Keaton provides water service to 429 connections as of the date of the application and has three employees.

Keaton expects many additional customers in the next few years from development of new RV parks, mobile home parks, and additional lots in the KRC development.

Keaton is owned by William Scott, age 61, of Blythe, California, who bought all the outstanding shares of common stock of the Company on March 4, 2003. Mr. Scott subsequently took Keaton into Chapter 11 bankruptcy as the result of inability to make refunds of Advances in Aid of Construction to KRC Company, Inc.

Purpose of Financing

Keaton proposes to use the loan proceeds for the following purposes: (1) Develop a master plan for the expansion needed in the near future; (2) Upgrade the chlorination system; (3) Develop information on existing ground storage reservoirs; and (4) Provide back up electrical power for electricity outages.

Description of Proposed Financing

The Company proposes to borrow \$40,000 from WIFA at an expected interest rate of 5.5 percent per annum with a twenty-year term and a monthly payment of \$275.17.

Financial Analysis

Staff used financial information from the financial statements provided with the application for the year ended December 31, 2003, to prepare Schedule JHJ-1, attached, and as the basis for its analysis. Schedule JHJ-1 presents operating income, times interest earned ratio ("TIER"), debt service coverage ("DSC"), and capital structure data. Staff also used expected terms and conditions from WIFA as outlined in the application. Specifically, Staff's analysis is based on a 20-year amortization at 5.5 percent per annum and a sinking fund requirement equal to one year's payments to be collected over the first five years of the loan.

The Company reports revenue of \$151,525 for the fiscal year ending December 31, 2003. Expenses exceeded revenues resulting in an operating loss for the year of \$16,228.

Schedule JHJ-1, column B, reflects 2003 financial results with pro forma adjustments to reflect the proposed loan. The pro forma information shows a negative 1.70 TIER and a 1.15 DSC. These ratios indicate that Keaton's cash flows are marginally sufficient to service the proposed \$40,000 debt and other existing debt in the short-term, but has insufficient earnings to sustain debt service in the long-term. The DSC is below WIFA's minimum requirement of 1.20.

The TIER represents the number of times earnings will cover interest expense on long-term debt. A TIER ratio greater than 1.0 means that operating income is greater than interest expense.

The debt service coverage ratio represents the number of times internally generated cash will cover required principal and interest payments on long-term debt. A DSC ratio greater than 1.0 indicates that operating cash flow is sufficient to cover debt obligations.

Schedule JHJ-1 also shows that Keaton's existing capital structure is completely comprised of debt due to the negative equity position. The proposed debt would exacerbate the already excessively leveraged capital structure.

Keaton is not a viable candidate for the proposed long-term debt due to its negative equity, operating losses and insufficient DSC. Keaton's balance sheet problems should be addressed by improving its equity balance through equity infusion and improved operating results.

Staff also reviewed the Company's updated projections for the second half of 2004. The projections show a return to profitability and a positive equity position. However, the projections are insufficient to support the proposed debt in the absence of a documented history of profitability so soon after a Chapter 11 bankruptcy (Final Decree has not been filed). Infusion of equity capital is an alternative to debt issuance for funding the proposed expenditures.

Compliance

The Utilities Division Compliance Section reports that there are no outstanding compliance issues.

Engineering Analysis

The Engineering Report concludes that there is adequate storage and production capacity to serve 3,200 customers and the water being delivered meets water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. Staff further concludes that the projects that are the subject of the proposed financing application are appropriate and the Company's cost estimates are reasonable.

Staff Conclusions and Recommendations

Staff concludes that the issuance of debt in the amount of \$40,000 on the terms described is for lawful purposes and within the corporate powers of the applicant.

Staff further concludes that the issuance of any additional debt is not compatible with the public interest and not compatible with sound financial practices due to the applicant's marginal ability to service debt and its excessively leveraged financial position.

Staff recommends denial of the applicant's request for authorization to incur \$40,000 of debt financing.

Staff recommends, as outlined in greater detail in the attached Engineering Report, that the Company file quarterly reports with the Utilities Division Director showing monthly water pumped and sold until notified otherwise by the Utilities Division Director. The quarterly report should also summarize actions taken to reduce system water loss.

Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five days after the effective date of the final Decision and Order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of the Utilities Division Director. The tariff shall further generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

FINANCIAL ANALYSIS

Selected Financial Data
Including Immediate Effects of the Proposed Debt

		[A] <u>12/31/2003</u>		[B] <u>Pro Forma</u>	
1	Operating Income	\$ (16,228)		\$ (16,228)	
2	Depreciation & Amort.	23,596		23,596	
3	Income Tax Expense	0		0	
4					
5	Interest Expense	3,840		6,012	
6	Repayment of Principal	2,340		5,642	
7					
8					
9	TIER				
10	[1+3] + [5]	-3.23		-1.70	
11	DSC				
12	[1+2+3] + [5+6]	1.20		1.15	
13					
14					
15					
16					
17					
18	Short-term Debt	\$2,340	N/M	\$5,642	N/M
19					
20	Long-term Debt	\$42,804	N/M	\$79,502	N/M
	Other Long Term Debt	\$128,822	N/M	\$128,822	N/M
21					
22	Common Equity	(\$162,813)	N/M	(\$162,813)	N/M
23					
24	Total Capital	\$11,153	N/M	\$51,153	N/M
25					
26					
27					

MEMORANDUM

DATE September 8, 2004

TO: James Johnson, Auditor III

FROM: D. Hains, Utilities Engineer

RE: Keaton Development Company – Financing Application
(Docket No. W-02169A-04-0363)

Introduction

Keaton Development Company ("Keaton" or "Company"), which provides water service to the Town of Salome in La Paz County, has filed a financing application for approval to obtain a loan in the amount of \$40,000. The loan will be used for (1) the development of a master plan, (2) to complete an engineering evaluation of the Company's existing chlorination system, (3) to complete an engineering evaluation of the Company's existing storage system, and (4) to pay for the purchase of an on-site emergency generator. The need for each of these projects is discussed below. In 2002, Keaton was sold to a new owner.

System Analysis

I. Capacity

The Company owns and operates a water system that contains two wells, three storage tanks, and a distribution system serving 399 metered customers in a certificated area of approximately three square miles. This system has a 1,100 gallon per minute ("GPM") production rate and 48,000 gallons of storage capacity. There is adequate storage and production capacity in the system to serve approximately 3,200 customers.

According to Mr. William S. Scott (the new owner of Keaton), important records regarding storage tank specifications, repairs and improvements, and other storage tank modifications were not provided by the previous owner. The new owner has expressed concern about the operating condition of the existing tanks and believes there may be a need for additional storage capacity. It appears that the Company has not been operating the tanks at full capacity. Therefore, the Company plans to hire an engineering consultant to evaluate the system and recommend any changes that are needed.

II. Water Treatment

The Company has received several complaints recently from customers regarding water odor and taste quality. The Company suspects that the chlorine treatment device is not functioning properly or is not functioning at all. The Company plans to hire an engineering consultant to evaluate the chlorine treatment system and determine if the existing chlorinator can be repaired or if a new unit is needed.

III. Emergency Generator

The Company has experienced service related problems (i.e., low water pressure, or no water) when commercial power has been interrupted for any significant period of time. These interruptions, which in recent years have declined, have typically occurred during the monsoon season when high winds and lightening have damaged APS electric facilities¹. Recently, the Company purchased an on-site generator which can be used to restore power to the well pumps and other equipment in the event commercial power is interrupted for a significant period of time.

IV. Water Loss

A. Prior Years Reporting

In Decision No. 64176, effective November 2001, the Company was ordered to file quarterly reports showing monthly water pumped and water sold data for a period of one year. At the end of the one year reporting period, the Company was experiencing an average monthly water loss of 16.74 percent.

B. January 2003 through February 2004

The Company's water loss situation appears to be worsening, for January 2003 through February 2004 the Company experienced an average monthly water loss of 24.34 percent which far exceeds Staff's recommended water loss threshold of 10 percent. Staff recommends that the Company be required to file quarterly reports showing monthly water pumped and water sold data until it is notified otherwise by the Director of the Utilities Division. The quarterly report should also include a summary of the actions taken during that quarter to reduce system water loss. These reports shall be docketed as a compliance item under this docket number for the review of the Utilities Division Director. Staff further recommends that the Company reduce its water loss to less than 10 percent within eighteen months after the effective date of the Decision in this matter. If after eighteen months of the effective date of the Decision in this matter the Company has failed to reduce its non-account water below 15 percent, Staff further

¹ APS is the electric utility that provides service in the Salome area. Service to the area is provided via a radial line. Due to the nature of a radial line service arrangement, when the line is damaged service is interrupted until repairs can be made. Recent improvements made by APS to this line appear to have reduced the frequency of Salome outages.

recommends that any new Main Extension Agreements submitted by the Company shall be denied until the Company shows that average water loss for two consecutive quarters is below 15 percent.

If the Company finds that water loss can only be reduced to less than 15 percent, but not less than 10 percent within eighteen months after the effective date of the Decision in this matter, the Company shall submit a detailed cost analysis and explanation demonstrating why a water loss reduction to less than 10 percent is not cost effective.

The financing, in part, will be used to fund the development of a master plan. The company has been operating without records/maps which show the location of existing underground facilities (i.e., main lines, distribution lines, service lines, control valves and meters). A master plan will create a record of the existing system which will enable the Company to locate leaks and other problems and improve its system management. A comprehensive master plan is an important tool that the Company needs to efficiently manage its system and to reduce water loss.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Staff received an ADEQ water quality compliance status report dated May 19, 2004, for Keaton's water system (Public Water System No. 15-029). In this report, ADEQ stated that it has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The system is not within any ADWR Active Management Area.

ACC Compliance

A check with the Utilities Division Compliance Section showed there are no outstanding compliance issues.

Other Issues:

I. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10 µg/l. The date for compliance with the new MCL is January 23rd, 2006. Recent lab test results indicate that the Company is delivering water that meets the new arsenic standard.

II. Detailed Cost Analysis

The itemized costs are listed below:

Project Description	Estimated Cost (\$)
A. Master Plan	
Field investigation	14,500
Mapping of mains, Well inventory & Water quality testing	4,500
Computer modeling	14,000
Contingencies (16% of the project cost)	5,266
subtotal	23,766
B. Reservoirs Investigation	
Field investigation & Recommendation	6,000
subtotal	6,000
C. Upgrading Chlorination Project	
Field investigation, Field sampling & testing, Design chemical feed pump, design control device & research a suitable chlorinator	3,800
Subtotal	3,800
D. Purchase an on-site generator	
Diesel generator (125KW, 3 Ø, 480v)	23,000
Subtotal	23,000
Total	57,566

With the exception of cost listed for the emergency generator, purchased in March 2004, the estimates above reflect the costs the Company expects to incur to hire engineering firm(s) to conduct the required analysis. Staff believes that the Company's estimated costs to complete the four projects that are the subject of the proposed financing are reasonable.

III. Curtailment Tariff

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have a curtailment tariff, this application provides an opportune time to prepare and file such a tariff. Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five days after the effective date of the final Decision and Order in this matter. The tariff shall be docketed

as a compliance item under this docket number for the review and certification of the Utilities Division Director.

Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

Summary

I. Recommendations:

1. Staff recommends that the Company be required to file quarterly reports showing monthly water pumped and water sold data until it is notified otherwise by the Director of the Utilities Division. The quarterly report should also include a summary of the actions taken during that quarter to reduce system water loss. These reports shall be docketed as a compliance item under this docket number for the review of the Utilities Division Director. Staff further recommends that the Company reduce its water loss to less than 10 percent within eighteen months after the effective date of the Decision in this matter. If after eighteen months of the effective date of the Decision in this matter the Company has failed to reduce its non-account water below 15 percent, Staff further recommends that any new Main Extension Agreements submitted by the Company shall be denied until the Company shows that average water loss for two consecutive quarters is below 15 percent.

If the Company finds that water loss can only be reduced to less than 15 percent, but not less than 10 percent within eighteen months after the effective date of the Decision in this matter, the Company shall submit a detailed cost analysis and explanation demonstrating why a water loss reduction to less than 10 percent is not cost effective.

2. Staff recommends that the Company file a curtailment tariff as soon as possible, but no later than forty-five days after the effective date of the final Decision and Order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of the Utilities Division Director.

Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us. Staff recognizes that the Company may need to make minor modifications according to their specific management, operational, and design requirements as necessary and appropriate.

II. Conclusions:

1. There is adequate storage and production capacity in the system to serve 3,200 customers.
2. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. The system is not within any ADWR Active Management Area.
4. A check with the Utilities Division Compliance Section showed there are no outstanding compliance issues.
5. Staff concludes that the projects that are the subject of this proposed financing application are appropriate and that the Company's cost estimates to complete the four projects are reasonable. However, Staff has not made a determination of the capital improvements as "used and useful" at this time, but defers this determination until the Company files its next rate application.

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA

COUNTY OF LA PAZ, ss

Alice Opie

Alice Opie

of said county, being duly sworn, deposes and says: that he/she is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and is competent to be a witness on the trial of the above entitled action, and that he/she is not a party to, nor interested in the above entitled matter.

That he/she is the Advertising Agent for the:

PARKER PIONEER

(published weekly) and which is a weekly newspaper of general circulation, published and circulated in the said County of La Paz, and is published for the dissemination of local news and intelligence of a general character, and has a bona fide subscription list of paying subscribers, and said newspaper has been established and published in the City of Parker, County of La Paz, State of Arizona, for at least one year before the publication of the first insertion of this notice and said newspaper is not devoted to the interests of, or published for the entertainment of any particular class, profession, trade, calling, race or denomination, or any number thereof.

That the:

APPLICATION FOR AN ORDER

Long Term Debt

Keaton Development Co., Inc.

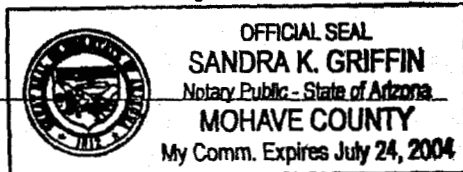
of which the annexed is a printed copy, was published in said newspaper at least 1 times, commencing on the 14th day of April, 2004, and ending on the 14th day of April, 2004, all above days inclusive, and in the regular and entire issue of said newspaper proper, and not in a supplement and said notice was published therein on the following dates, to-wit:

April 14, 2004

Subscribed and sworn to before me this 15th day of April, 2004.

Sandra K. Griffin
Notary Public in and for the County of La Paz, State of Arizona.

My Commission Expires:



PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF Long Term Debt

BY Keaton Development Co., Inc. Keaton Development Co. filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue \$40,000.00 of Long Term Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Salome, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.

2. A short statement of the proposed intervenor's interest in the proceeding.

3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.

4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

PUBLISH: Aug. 14, 2004

7757